2012 **ANNUAL** REPORT

SaskEnergy

7,386
new distribution customers

2,413
service connection upgrades

92%
customer satisfaction

2,291
successful competency assessments of field workers

241
petajoules of natural gas moved

OUR TEAM

SaskEnergy's 2012 accomplishments are the result of the skill and dedication of our team of more than 1,000 employees and contractors across the Province. Providing service to new residential areas, performing system integrity work or attending technical training – customer service is the focus for Construction employees, Cortney Mead (Equipment Operator), Brennan Kuzyk (Equipment Operator) and Larry Kowbel (Crew Supervisor).

VISION, MISSION & VALUES

VISION

To create a competitive advantage for Saskatchewan through safe, innovative energy solutions.

MISSION

Our team of engaged employees and business partners develops and delivers safe, reliable natural gas solutions that benefit our customers and Saskatchewan.

VALUES

Community
We are leaders in developing a diverse workforce, supporting our communities and environmental stewardship.
Recognition
We take time to recognize the individual and team contributions of our employees.
Spirit
We create a positive and dynamic work environment that enables personal achievement, work life balance and business success.
Safety
We never compromise the safety of our employees and the public.
Communication
We have open, honest and respectful communication that builds strong relationships.
Accountability
We are accountable for our decisions, our actions and the results.
Integrity
We are honest, respectful and apply high ethical standards.

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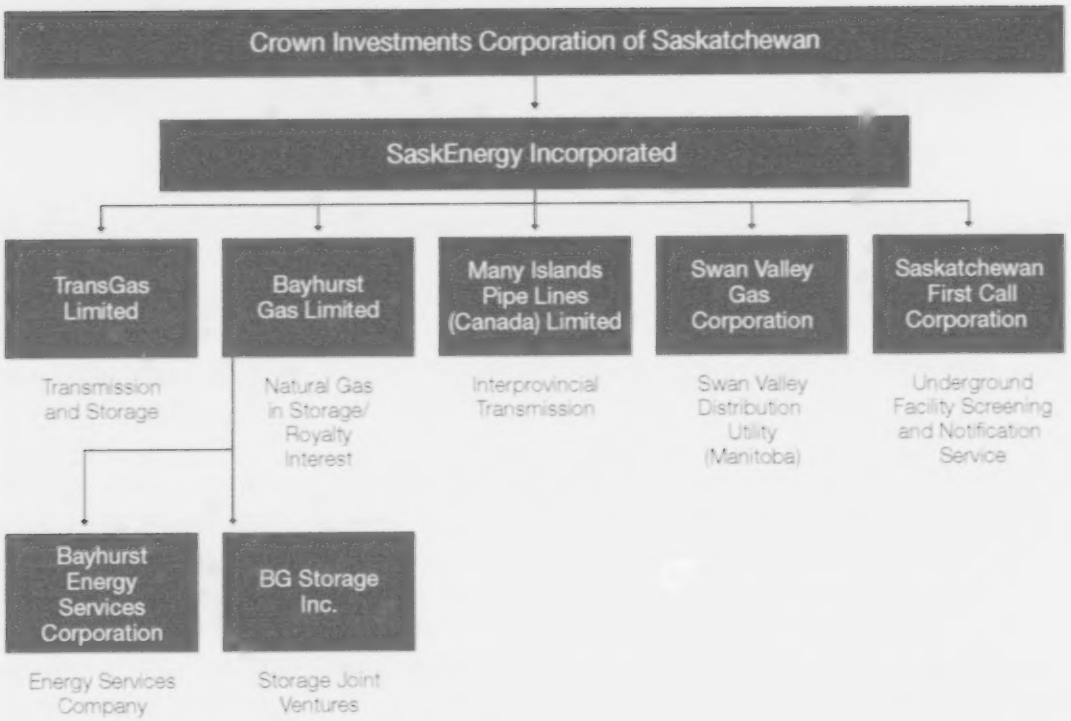


CORPORATE PROFILE

SaskEnergy Incorporated (SaskEnergy or the Corporation) is a Saskatchewan Crown corporation governed by *The SaskEnergy Act*. It is a designated subsidiary of Crown Investments Corporation of Saskatchewan (CIC). CIC is also a Crown corporation and effectively operates as the Province's holding company for commercial Crown corporations (such as SaskEnergy, SaskPower, SaskTel and SGI) and various commercial investments.

SaskEnergy's main business is the natural gas Distribution Utility. SaskEnergy owns and operates the Distribution Utility, which has the exclusive legislated franchise to distribute natural gas within the Province of Saskatchewan. The Provincial Cabinet regulates SaskEnergy's delivery and commodity rates. All rate changes are subject to review by the Saskatchewan Rate Review Panel, an independent ministerial advisory committee, prior to receiving Provincial Cabinet approval.

SaskEnergy's corporate structure includes five wholly owned and two indirect wholly owned subsidiaries, as follows:

Bayhurst Gas Limited (Bayhurst) owns, produces and sells natural gas from its storage facility in the west-central area of Saskatchewan. Bayhurst also owns a gross overriding royalty on approximately 450 properties in Saskatchewan and Alberta.

Bayhurst Energy Services Corporation (BESCO), a wholly owned subsidiary of Bayhurst Gas Limited, is an energy services company. BESCO owns a 50 per cent interest in a natural gas processing plant in southeastern Saskatchewan, which is operated through an unincorporated joint venture with ATCO Midstream Limited.

BG Storage Inc. (BGSI), a wholly owned subsidiary of Bayhurst Gas Limited, owns a 50 per cent interest in a natural gas storage business, which is operated through an unincorporated joint venture with Faro Energy Ventures Ltd.

Many Islands Pipe Lines (Canada) Limited (MIPL) is a transmission company that owns nine transmission pipeline interconnections to Alberta, two into the United States, and one into Manitoba, all of which connect to the TransGas system. MIPL is regulated by the National Energy Board.

Saskatchewan First Call Corporation (*Sask 1st Call*) provides a centralized "Call Before You Dig" underground facility screening and notification service. *Sask 1st Call* was established primarily for safety reasons to maintain a database of oil, natural gas and other underground infrastructures. *Sask 1st Call* provides a service whereby landowners and other stakeholders can contact *Sask 1st Call* to request the location of pipeline- and non-pipeline-related facilities of its subscribers. *Sask 1st Call's* rate structure is intended to recover all operational costs and operate on a break-even basis.

Swan Valley Gas Corporation (SVGC) owns a natural gas distribution utility in the Swan Valley area of western Manitoba. SVGC serves customers in the towns of Swan River, Benito and Minitonas. SVGC is regulated by the Manitoba Public Utilities Board.

TransGas Limited (TransGas) owns and operates the Transmission Utility and has the exclusive legislated franchise to transport natural gas within the Province of Saskatchewan. It also owns and operates a non-franchised natural gas storage business as well as gathering and processing facilities, which are integrated with the transmission pipeline system. TransGas' transportation and storage rates are subject to Provincial Cabinet approval. TransGas has a Customer Dialogue process where business, operational and rate matters are openly discussed with a representative group of customers.

CREATING VALUE

To maximize the efficiency of our transmission network, SaskEnergy has become an industry leader in the use of mobile compressor technology. With a growing fleet of mobile units and skilled personnel like Harvey Johnson, TransGas District Operations Supervisor, to operate them, our compression strategy has reduced costs and environmental impact, while increasing our ability to respond to customer needs on our rapidly-changing system.

LETTER OF TRANSMITTAL

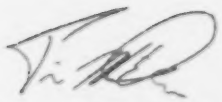
March 31, 2013

Her Honour the Honourable Vaughn Solomon Schofield, S.O.M., S.V.M.

Lieutenant Governor of Saskatchewan

Madam:

I respectfully submit the annual report of SaskEnergy Incorporated for the year ended December 31, 2012, in accordance with *The SaskEnergy Act*. The Financial Statements are in the form approved by the Treasury Board, and have been reported on by the Corporation's auditors.



Honourable Tim McMillan
Minister Responsible for SaskEnergy

MINISTER'S MESSAGE

On behalf of Premier Brad Wall and the Government of Saskatchewan, I present the SaskEnergy 2012 Annual Report.

Since being appointed Minister Responsible for SaskEnergy in mid-2012, I have gained a greater appreciation for the Corporation's commitment to employee and public safety, effective rate management and customer service.

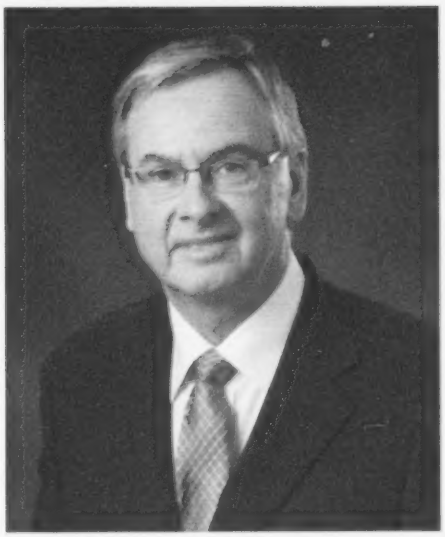
As a provider of essential infrastructure services to residential, commercial and industrial customers in communities large and small, SaskEnergy plays a key role in our province's continuing growth. With a long list of companies seeking to invest in Saskatchewan, our Government has sought to remove barriers to growth in the economy and, in 2012, SaskEnergy performed ably in this priority area.

In addition to meeting with management and employees throughout the year, I joined SaskEnergy and TransGas representatives in December to tour the North Battleford Energy Centre, a natural gas-fueled power plant, scheduled to become operational in 2013. The $700 million facility, which will power up to 45,000 Saskatchewan homes, was impressive. So, too, were the many positive comments from Northlands Power officials regarding the timely and responsive service SaskEnergy/TransGas provided to them throughout this important project, just one of the Corporation's many 2012 successes.

I would like to thank all SaskEnergy employees, management and the Board of Directors for their contributions to the company in 2012. Thanks to your collective efforts, I am confident that both SaskEnergy and the Province of Saskatchewan will continue to thrive in the coming years.

Sincerely,

Honourable Tim McMillan
Minister Responsible for SaskEnergy



On behalf of the SaskEnergy Board of Directors, it is my pleasure to join the Minister Responsible for SaskEnergy, the Honourable Tim McMillan, in presenting the SaskEnergy 2012 Annual Report.

Building on a foundation of sound fiscal management and clear business priorities, SaskEnergy once again enjoyed a solid year in 2012. In particular, the Board was pleased with successful efforts to meet the challenges associated with the Province's growing population base and industrial sector, while maintaining a focus on public safety and customer service.

In 2012, the Board worked with senior management to update the SaskEnergy Strategic Plan, ensuring that the corporate vision, mission, values, and strategic mandates reflect the current business environment in Saskatchewan. The update confirmed strategies laid out in recent years to develop greater flexibility and responsiveness throughout SaskEnergy's business processes and reinforced the Corporation's role in supporting the continuing pace and magnitude of the Province's economic growth.

To this end, in alignment with the Government of Saskatchewan's Crown Sector Priorities, SaskEnergy will invest approximately $1 billion in capital projects between 2013 and 2017, delivering initiatives related to customer growth, system integrity and supply acquisition, among others. Given the wide range of factors affecting the natural gas industry, these capital investment strategies will receive close Board oversight and include continued communication with key ownership and business partners.

Overall, the Corporation remains well-positioned for the future, with consistent profitability from operations and a responsible debt-to-equity ratio projected through 2017. Included within these financial outcomes is a targeted $5 million in efficiency savings for 2013 — a key measure in maintaining competitive customer rates.

I would like to recognize the contributions of Mitch McLeod, who left the Board in February 2012, after three years of service, and welcome Allan Kerpan as a new member. The Board is committed to the effective stewardship of SaskEnergy, and thanks the Executive team, management and employees for their contributions this past year.

Sincerely,

Robert Pletch
Chair, SaskEnergy Board of Directors

CHAIR'S MESSAGE

"SaskEnergy's commitment to public safety and best practice alignment was at the core of our 2012 activities..."

Given the high level of activity we saw, "action-packed" characterizes 2012 for SaskEnergy and TransGas. Thanks to effective planning and leadership, together with the engagement of our employees across Saskatchewan, the Corporation once again achieved strong operational and financial results, earning public confidence while meeting established Crown Sector Priorities.

With nearly 7,400 distribution customers added to our network — the highest annual figure since the 1980s — and strong industrial demand for natural gas within the Province, growth was a key business driver throughout 2012. Continued focus on developing internal process efficiencies and improvements, in combination with the use of external contractors to augment employee teams, allowed the Corporation to effectively manage this significant growth activity while maintaining internal resourcing at 2011 levels. On the transmission side, TransGas completed several key system expansion projects, both to provide service to industrial customer facilities and to ensure sufficient provincial natural gas supply for the future.

SAFETY FOCUS AND BEST PRACTICE ALIGNMENT

SaskEnergy's commitment to public safety and best practice alignment was at the core of our 2012 activities, with $79 million dedicated to system integrity activities, including nearly 2,150 distribution service upgrades and expanded leak surveying efforts. To maintain the safe and reliable operation of our more than 83,000 kilometres of pipeline, our corporate system integrity budget will increase to $94 million in 2013.

Within the current environment of elevated stakeholder and regulatory attention toward buried infrastructure, having SaskEnergy align with accepted industry best practices also stands as a corporate priority. To this end, in 2012, proactive initiatives like our Competency Assessment Plan (CAP) program continued to confirm that our field employees and contractors are well-trained in the day-to-day tasks related to pipeline maintenance, as well as emergency procedures. Meanwhile, the CAP program itself was reviewed and found to benchmark favourably with similar initiatives undertaken by our industry peers.

STABLE FINANCES AND RATES

The growing Saskatchewan customer base, together with strong 2012 results from commodity marketing activities ($36 million in net revenue), contributed to SaskEnergy's $73 million net income from operations. With the demands of provincial growth also leading to increased capital expenditures in 2012 and in the coming years, successful execution of planned capital initiatives will be a key factor in the Corporation's ability to continue to meet customer needs while maintaining a responsible capital structure and appropriate level of debt.

Thanks to these financial stewardship efforts, and continued corporate efficiency measures (representing $5.6 million in incremental 2012 savings), SaskEnergy's distribution rates remained the lowest in Canada, with our commodity rates falling to their lowest levels in 12 years. Meanwhile, TransGas rates remained comparable with industry competitors, despite declining production in Saskatchewan and rising cost pressures on Western Canadian pipeline systems utilized to target supply into the Province.

CUSTOMER SATISFACTION

While SaskEnergy has developed a wide-ranging corporate scorecard to set targets and track progress, the results of our customer satisfaction surveys represent a key overall performance indicator each year. The 2012 survey results are particularly noteworthy for both SaskEnergy (92 per cent satisfaction) and TransGas (94 per cent), as they show customer recognition of our efforts to provide safe, reliable and timely service at affordable rates, in keeping with Crown Sector Priorities.

This strong customer support is among SaskEnergy's greatest corporate assets and one we work each day to maintain, not only through our service delivery models, but through the promotion of energy efficiency programs, support of community groups, and commitment to a diverse workforce.

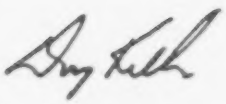
ROADMAP FOR FUTURE SUCCESS

In 2012, the SaskEnergy Board of Directors and leadership came together to create the 2013-2017 Strategic Plan, the cornerstone of the Corporation's future plans. Through this process, the SaskEnergy vision, mission and value statements were updated, with new strategic mandates — "Service Excellence", "Achieving Growth", "Our Team" and "Creating Value" — created to update the scorecard categories in use since 2006.

While the Strategic Plan process was, by definition, a forward-looking one, it also served as an occasion to reflect on the dynamic time for SaskEnergy and TransGas in recent years. Through evolving safety and regulatory requirements, unprecedented customer growth and a varying commodity market, our excellent employees — ready, willing and able to take on any challenge — have been the constant factor.

Along with the other members of the SaskEnergy Executive team, I extend my thanks to our team across the Province for their ongoing contributions to our past and future success.

Sincerely,



Doug Kelln
President and Chief Executive Officer, SaskEnergy

ACHIEVING GROWTH

With the continuing growth of Saskatchewan's industrial sector, SaskEnergy/TransGas plays a key infrastructure role in projects across the Province. During the first phase of providing natural gas service to BHP Billiton's Jansen potash mine site, Leanne Stettner and her Pipeline Engineering team designed a 24.4-kilometre line to connect to the company's Discovery Lodge construction camp. This connection, completed in November 2012, will also help deliver the main processing load once the mine is operational in 2015.

Reproduced with Permission of BHP Billiton.

CONSOLIDATED FINANCIAL INFORMATION	2012	2011	2010	2009	2008
($ millions)					
Commodity sales	246	294	276	451	432
Gas marketing sales	232	277	386	446	576
Delivery revenue	194	187	185	184	175
Transportation and storage revenue	85	77	77	80	77
Customer capital contributions	29	43	20		
Other	12	12	9	49	46
Total revenue	798	890	953	1,210	1,306
Commodity cost of gas sold	201	327	305	418	470
Gas marketing cost of gas sold	196	253	328	417	539
Other expenses	294	284	270	282	267
Total expenses	691	864	903	1,117	1,276
Net income	107	26	50	93	30
Dividend	27	39	49	51	43
Total assets	2,037	1,924	1,858	1,587	1,561
Property, plant and equipment	1,501	1,395	1,301	1,004	945
Capital expenditures	187	172	144	130	114
Debt/Equity ratio	59/41	60/40	59/41	64/36	66/34
Rate of return on equity	11.0%	13.6%	10.8%	13.5%	12.5%
OPERATING STATISTICS					
Distribution volumes *(Petajoules)*					
Residential/Farm	34	34	34	37	36
Commercial	29	29	30	31	30
Industrial	90	82	82	62	72
TOTAL	153	145	146	130	138
Transmission volumes *(Petajoules)*					
Domestic	237	226	215	205	216
Export	4	5	24	62	81
TOTAL	241	231	239	267	297
Number of customers					
Distribution	365,749	358,363	352,560	347,327	342,606
Transmission	148	137	135	132	129

[1] Results prior to 2010 were reported in accordance with Canadian generally accepted accounting principles.

FIVE-YEAR OPERATING SUMMARY – DISTRIBUTION	2012	2011	2010	2009	2008
Sales in million cubic metres[1]	3,985	3,803	3,794	3,415	3,675
Residential annual average usage *(cubic metres)*	2,753	2,851	2,856	3,414	3,303
Degree days[2]	5,415	5,564	5,531	6,227	5,990
Percentage colder or warmer than normal[3]	2.4%	(0.5%)	0.1%	(12.3%)	(4.8%)
PIPELINE *(kilometres)*					
Distribution Utility					
SaskEnergy Incorporated	68,092	67,692	67,342	67,045	66,709

[1] Retail, industrial and natural gas marketing.
[2] A unit measuring the extent to which the temperature falls below 18° Celsius. Normal weather in 2012 would have been 5,548 degree days.
[3] Warmer/(colder) than normal.

FIVE-YEAR OPERATING SUMMARY – TRANSMISSION	2012	2011	2010	2009	2008
Peak day natural gas flows *(Petajoules)*	1.20	1.09	1.07	1.19	1.50
Date of peak day flow	Jan. 18	Jan. 31	Jan. 7	Mar. 11	Jan. 28
Storage cavern sites	6	7	8	8	8
Storage caverns	27	27	27	26	26
Storage field sites[1]	4	3	3	3	3
Producing field sites[1]	1	2	1	1	1
PIPELINE *(kilometres)*					
TransGas Limited					
Transmission	14,230	14,048	13,889	13,803	13,592
Gathering[2]	201	201	201	197	197
Many Islands Pipe Lines (Canada) Limited	435	435	435	435	435
Bayhurst Gas Limited	113	113	113	113	113
TOTAL	14,979	14,797	14,638	14,548	14,337
COMPRESSOR STATIONS					
TransGas Limited	24	24	22	22	22
Bayhurst Gas Limited	3	3	3	3	4
TOTAL	27	27	25	25	26
COMPRESSION HORSEPOWER					
TransGas Limited	86,270	85,120	82,250	81,100	82,200
Bayhurst Gas Limited	6,300	6,300	6,300	6,300	6,835
TOTAL	92,570	91,420	88,550	87,400	89,035

[1] Includes Bayhurst Gas Limited.
[2] The prior year amounts have been reclassified to conform to the current year's presentation.

INTRODUCTION

In alignment with Saskatchewan Crown Sector Priorities, SaskEnergy's 2012 activities addressed the key drivers in the Corporation's strategic environment, including elevated attention to public safety, the pace of economic development in the Province, a continuing low natural gas commodity price environment and evolving workforce demographics.

OUR SERVICE

Distribution Service Connection Upgrade Program

SaskEnergy has undertaken a multi-year distribution service integrity enhancement program to upgrade services in areas of the Province most susceptible to ground shifting. Of the 2,413 total service upgrades completed throughout the Province in 2012, nearly 2,150 were through this program — almost 20 per cent more than targeted at the beginning of the construction season. During the service connection upgrades, SaskEnergy also went through a safety review of the facilities in the area. The enhanced safety vigilance program will continue to upgrade 1,500 to 2,000 customer connections per year through 2020, as part of SaskEnergy's commitment to continued safe and reliable service delivery.

Mock Emergency Exercise at Yorkton

SaskEnergy created its Corporate Emergency Management Program (CEMP) in 2008 to evaluate and support the emergency response readiness of SaskEnergy and TransGas. As part of the program, the operations groups from both companies created an Emergency Response Exercise Strategy to ensure employees had the skills and competencies to respond to emergency situations. The most recent corporate mock emergency exercise was held in April 2012 to test employees in a real-life setting. The exercise required SaskEnergy and TransGas personnel in the Yorkton area, as well as members of the Yorkton Fire Department, to respond to a supposed accident site in a timely but safe manner and answer specific questions on how they would handle the situation. All parties received high marks for their response and the effective co-operation and communication they displayed. Training and competency assessments of employees continued to be demonstrated on a high priority in 2012 in delivering public safety. Thank you to the Yorkton Fire Department and first responder agencies for their participation and professionalism.

Commodity Rate Decrease

SaskEnergy typically sets its commodity rate each fall using the forward 12-month price for natural gas, with an adjustment in April if natural gas prices are markedly different from its current rate. In April 2012, SaskEnergy reduced its commodity rate by 16 per cent, from $4.55 per gigajoule (GJ) to $3.82 per GJ, which produced net savings of $50 per year for the typical residential customer despite an increase in SaskEnergy's delivery service rates. SaskEnergy customers continued to benefit from the lowest natural gas commodity rates since 2000, as market conditions enabled the Corporation to maintain its current rate through the 2012/13 winter season.

Customer Satisfaction

In 2012, a total of 1,200 randomly selected Saskatchewan residents took part in the annual SaskEnergy Customer Satisfaction survey. For the second year in a row, information was collected using both an online survey and a telephone survey. At 92 per cent, overall satisfaction with SaskEnergy remains strong. Eighty-five per cent of respondents believe SaskEnergy is doing an excellent job of educating the public about how to detect a natural gas leak, while the same percentage of respondents also indicated SaskEnergy provides reliable service to their homes.

OUR FUTURE

Leveraging Commodity Expertise

SaskEnergy's commodity marketing activities include refilling/cycling natural gas inventories at corporate facilities so these inventories can be sold in the future. In 2012, this commodity expertise generated net revenues of $36 million, benefiting the Corporation and its customers. The refilling/cycling of natural gas inventories has been the most financially rewarding activity, and is currently being expanded to include other facilities jointly owned with other parties. This approach will allow SaskEnergy to continue to maximize the use of its infrastructure advantages for the benefit of the people of Saskatchewan.

Productivity and Efficiency Initiatives

In 2012, SaskEnergy realized $5.6 million in efficiency savings and process improvements through a combination of process changes and new technologies, including efforts to reduce external transport costs, reviews of operational/corporate spending processes, and expanded deployment of

mobile compression. In the coming years, savings will continue to be gained, with effective use of third-party contractors, administrative process reviews and reduced fuel costs as key areas of focus.

Managing Increased Supply Requirements

With the natural gas drilling rate in Saskatchewan declining while consumption has been increasing, TransGas has sought ways to leverage its existing pipeline infrastructure and that of other pipelines for the cost-efficient import of supply to the Province. In 2012, TransGas completed the installation of a new 16-inch pipeline that interconnects with the TransCanada Mainline and runs north to the Bayhurst storage field. The second in that area, this pipeline increased TransGas' ability to receive Alberta supply by 100 terajoules (TJ) per day. Meanwhile, a decision was made to delay the Bayhurst to Rosetown pipeline pending the outcome of the TransCanada rate and restructuring proposal that was before the National Energy Board in 2012. Depending on the outcome of that hearing, this pipeline may not be required, potentially allowing TransGas to avoid an $80 million capital expenditure. TransGas also made use of the Foothills Pipeline in 2012 to economically receive gas into the Province.

OUR PEOPLE

Commitment to Safety

In 2012, SaskEnergy continued to focus on employee safety awareness and proactive accident prevention measures. Through these programs, employees submitted 1,266 hazard-near miss reports, identifying potential safety issues and participating in resolving them. SaskEnergy/TransGas also conducted its 10th consecutive Safety Stand Down Week, designated time for Executive members, including the President and CEO, to visit workplaces throughout the Corporation and talk about safety issues with all employees. As a result of such initiatives, SaskEnergy's Total Recordable Injury Rate for 2012 improved to 2.91, from 3.24 in 2011, continuing the Corporation's positive trend with respect to this key overall employee safety indicator.

Leadership Initiatives

For SaskEnergy to thrive within Saskatchewan's opportunity-rich business climate, the identification, development and retention of leaders, as well as effective management of change across the company is critical. An increased focus on performance and recognition will better allow SaskEnergy to retain high-performing employees and increase engagement across the company. In 2012, corporate recognition practices and guidelines were updated, and performance will remain a focus in 2013. In addition, through programs such as SaskEnergy's Leadership Network, the company continues to reinforce key leadership and coaching roles to provide employees with the time, tools, training and communication they need to succeed in their daily work.

Meter Exchanges

In 2012, SaskEnergy teams across the Province completed more than 19,000 meter exchanges — an increase of more than 3,000 from 2011. In particular, meter exchange targets for 2012 in Saskatoon were achieved by mid-year, with the team there completing an additional 1,200 meter exchanges to contribute to the provincial objective. While SaskEnergy is renewing the meter fleet to prepare for stricter Measurement Canada compliance requirements in 2014, older meters are also being culled to prepare for SaskEnergy's Advanced Metering Infrastructure deployment.

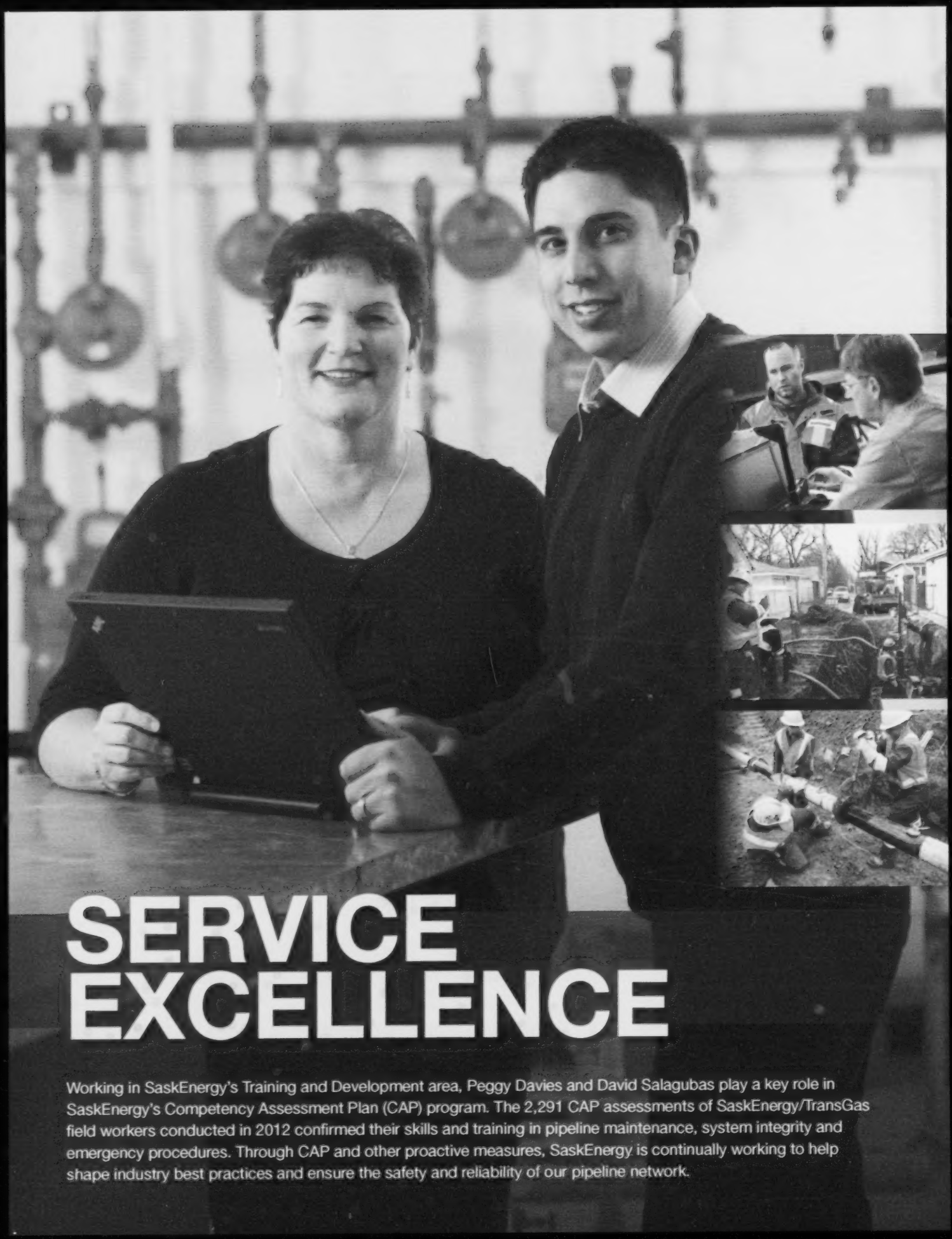
OUR GROWTH

Distribution and Transmission Growth

The continued growth of Saskatchewan's population and economy benefited SaskEnergy in 2012, as the Corporation added 7,386 customers to its distribution base, the highest figure in over two decades and 3,164 more than the 10-year average. The pace and magnitude of economic development in Saskatchewan also created significant industrial load growth in 2012, driven by potash mines, enhanced oil recovery and power production. Overall, transmission volume increased by 10 petajoules (PJ), or 4.3 per cent, from 2011.

SaskEnergy/CanGas Compressed Natural Gas Service

Through its business development efforts, SaskEnergy enters into private sector alliances to enhance market development, foster Saskatchewan industry and drive economic growth. In 2012, SaskEnergy and CanGas Solutions Inc., a containerized compressed natural gas (CNG) transportation company and wholly owned subsidiary of CanElson Drilling Inc., signed a three-year natural gas delivery agreement. Under the agreement, SaskEnergy will develop a high-capacity CNG facility near Weyburn, which will allow CanGas to become the first commercial supplier in Western Canada to provide trucked CNG to oil and gas drilling rigs. The CNG is intended to displace 50 per cent of the diesel fuel used in CanElson's drilling operations, resulting in lower operational costs.



SERVICE EXCELLENCE

Working in SaskEnergy's Training and Development area, Peggy Davies and David Salagubas play a key role in SaskEnergy's Competency Assessment Plan (CAP) program. The 2,291 CAP assessments of SaskEnergy/TransGas field workers conducted in 2012 confirmed their skills and training in pipeline maintenance, system integrity and emergency procedures. Through CAP and other proactive measures, SaskEnergy is continually working to help shape industry best practices and ensure the safety and reliability of our pipeline network.

INTRODUCTION

The Management's Discussion and Analysis (MD&A) highlights the primary factors that affected SaskEnergy's consolidated financial condition and performance for the year ended December 31, 2012. Using financial and operating results as its basis, the MD&A describes the Corporation's past performance and future prospects, enabling readers to view SaskEnergy from the perspective of management. The MD&A is presented as at March 1, 2013, and should be read in conjunction with the Corporation's audited consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

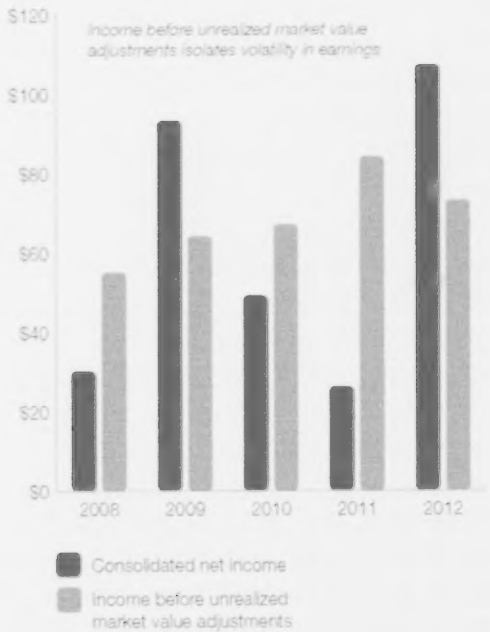
The following discussion contains certain forward-looking statements that are subject to inherent uncertainties and risks, which are described in the Risk Management section of the MD&A. All forward-looking statements reflect the Corporation's best estimates and assumptions based on information available at the time the statements were made. However, actual results and events may vary significantly from those included in, contemplated by or implied by such statements.

The Corporation's financial results are subject to fluctuations, especially given the volatility of natural gas prices. In order to compare financial performance from period to period, the Corporation uses the following measures: realized margin on commodity sales and realized margin on gas marketing sales. Each measure removes the impact of fair value adjustments and the revaluation of natural gas in storage. These unrealized market value adjustments vary considerably with the market prices of natural gas, drive significant changes in the net income of the Corporation and may obscure other business factors that are also important to the financial results. These are non-IFRS measures, having no standardized definition, and may not be comparable to similar measures presented by other entities.

CONSOLIDATED FINANCIAL RESULTS

(millions)	2012	2011	Change
Income before unrealized market value adjustments	$ 73	$ 84	$ (11)
Impact of fair value adjustments	13	(34)	47
Revaluation of natural gas in storage	21	(24)	45
Consolidated net income	$ 107	$ 26	$ 81

The Corporation experienced another strong year. Consolidated net income was $107 million, significantly higher than 2011, and income before unrealized market value adjustments was $73 million. The $11 million decline in income before unrealized market value adjustments can be largely attributed to unusually high customer capital contribution revenue in 2011 as several large transmission projects were completed in that year.



While natural gas prices continue to be a factor that can drive significant volatility, as evidenced by the $92 million change in unrealized market value adjustments on a year-over-year basis, there are other factors that have less impact in the short term but bear longer-term impacts.

Over the past five years, the Corporation has added more than 33,000 new customers to its distribution system, generating additional delivery revenue but also requiring a substantial amount of capital investment.

"Throughout this growth period, SaskEnergy has also increased safety and integrity spending throughout the Province."

At the same time, growing demand within the industrial sector, brought on by a combination of low natural gas prices and Saskatchewan's expanding economy, has required the transmission system to import additional volumes of natural gas. Throughout this growth period, SaskEnergy has also increased safety and integrity spending throughout the Province. This unprecedented demand for the Corporation's services has placed upward pressure on operating costs. However, a concerted focus on efficiency has resulted in nearly $22 million in savings and process improvements since 2009, contributing toward the Corporation's success throughout this time of expansion as well as into the future.

Natural Gas Prices

Natural gas prices are set in an open market and are influenced by a number of variables including production, demand, natural gas storage levels and economic conditions. Given the high demand for natural gas to heat homes and businesses during the cold winter months and the demand for natural gas to generate incremental electricity for air conditioning in the summer, weather has the greatest impact on natural gas prices in the near term. Due to the high degree of uncertainty associated with weather, natural gas prices are typically very volatile.

2012 marked the fourth consecutive year of relatively low natural gas prices. The application of technology in the development of shale gas production has altered the North American supply/demand balance. Natural gas production within the United States has experienced a complete reversal, with production now at record levels, from dwindling supplies only a few years ago. This has reduced the need for natural gas to be imported from Canada and lowered natural gas prices. Natural gas from shale formations can be produced more cost effectively than conventional natural gas wells.

In Saskatchewan, natural gas production from conventional wells continued to experience significant declines, as only ten new wells were drilled in Saskatchewan in 2012. These declines were offset somewhat by growing natural gas supplies associated with oil production in southeast Saskatchewan. However, the majority of the shortfall was met with natural gas from Alberta, through the well-established pipeline infrastructure. In 2012, natural gas imported from Alberta grew to 38 per cent of Saskatchewan supply, up from 21 per cent in 2011.

Natural gas market prices were characteristically volatile in 2012, trading as low as $1.55 per GJ in April, following an abnormally warm winter, to $3.25 per GJ in December, as a new winter season got off to a cold start. The following is a chart of AECO natural gas prices. Located in Alberta, AECO is the major natural gas hub in Western Canada. Natural gas in Saskatchewan is priced at a differential to the AECO price, usually between $0.05 per GJ and $0.20 per GJ higher than AECO.

Natural Gas Sales and Purchases

Included within natural gas sales and purchases are rate-regulated commodity sales to distribution customers and non-regulated gas marketing activities. The Corporation manages these activities as distinct and separate businesses and, as such, the MD&A addresses these natural gas sales and purchases separately.

Commodity Sales to Customers

(millions)	2012	2011	Change
Commodity sales	$ 246	$ 294	$ (48)
Commodity purchases	248	284	(36)
Realized (loss) margin on commodity sales	(2)	10	(12)
Impact of fair value adjustments	47	(43)	90
Margin (loss) on commodity sales	$ 45	$ (33)	$ 78

SaskEnergy sells natural gas to its distribution customers at a commodity rate approved by Provincial Cabinet based on the recommendations of the Saskatchewan Rate Review Panel. The commodity rate, which is reviewed April 1 and November 1 of each year, is designed to recover the associated costs of natural gas sold to distribution customers without earning a profit or incurring a loss. For rate-setting purposes, SaskEnergy accumulates differences between the commodity revenue earned and the cost of natural gas sold in a Gas Cost Variance Account (GCVA). The balance in the GCVA, which is not recorded for financial reporting purposes, is either recovered from or refunded to customers as part of future commodity rates.

To achieve its goal of delivering stable and competitive commodity rates to its customers, SaskEnergy reduces the impact of natural gas purchase price volatility through its natural gas price risk management strategy. To ensure a secure supply of natural gas, SaskEnergy may contract for the physical delivery of natural gas using non-financial derivatives, referred to as forward or physical natural gas contracts. The purchase price contained in these forward contracts can be a fixed price, or it may be based on a variable index price determined nearer to the delivery period. SaskEnergy may also use natural gas financial derivatives, primarily natural gas price swaps, to manage the future purchase price of natural gas. As derivative instruments, these natural gas contracts are recorded at fair value until the date of settlement. Changes in the fair value of these derivative instruments, driven by changes in future natural gas prices and price differentials, are recorded in commodity purchases. Upon settlement of the natural gas contract, the amount paid or received by SaskEnergy is recorded in commodity purchases.

For 2012, fair value adjustments increased the margin on commodity sales by $47 million as the $95 million unfavourable fair value position at the end of 2011 improved to $48 million at December 31, 2012. This improvement was mainly attributable to a narrowing of the differential between the average purchase price and the average market price on natural gas purchase contracts. The Corporation lowered its average purchase price to $3.61 per GJ (from $3.81 per GJ at 2011 year end), and forward market prices (future prices for the next 12-month period) improved at the end of 2012 resulting in an average market price on natural gas purchase contracts of $3.21 per GJ ($2.95 per GJ at 2011 year end).

The realized margin on commodity sales excludes the impact of unrealized fair value adjustments on derivative instruments, as these adjustments can fluctuate significantly from one period to the next and do not necessarily represent the amount that will be paid upon settlement of the related natural gas contract. As mentioned previously, the commodity sales activity operates on a cost-recovery basis while employing rate-setting principles and a GCVA to ensure that, over the long term, no margin is earned on these activities. However, due to timing, as well as differences between IFRS and rate-setting principles, a gain or loss is commonly reported in the Corporation's financial statements. On a consolidated basis, the Corporation realized a $2 million loss on commodity sales, with average revenue of $4.07 per GJ and average cost of gas sold of $4.11 per GJ. This compared to a $10 million realized margin in 2011, with average revenue of $4.47 per GJ and average cost of gas sold of $4.28 per GJ. Effective April 1, 2012 Provincial Cabinet approved a reduction in the Corporation's commodity rate from $4.55 per GJ to $3.82 per GJ, the lowest rate in more than 12 years, to reflect the anticipated natural gas costs over the next twelve months based on rate-setting principles, as well as refunding a balance owing in the GCVA. Natural gas prices continued to be low throughout 2012, which led to the decline in the average cost of gas sold.

Gas Marketing Margin

(millions)	2012	2011	Change
Gas marketing sales	$ 264	$ 275	$ (11)
Gas marketing purchases	217	234	(17)
Realized margin on gas marketing sales	47	41	6
Impact of fair value adjustments	(32)	7	(39)
Revaluation of natural gas in storage	21	(24)	45
Margin on gas marketing sales	$ 36	$ 24	$ 12

SaskEnergy's gas marketing operations employs several different strategies, all of which attempt to optimize storage and transportation capacity available to the Corporation to earn a positive margin as well as provide a financial benefit to SaskEnergy and TransGas customers. The most significant gas marketing activity is focused on utilizing the storage capabilities of a depleted gas field in west-central Saskatchewan. The primary strategy employed involves the purchase of natural gas accompanied by a forward sales contract. The decline in natural gas market prices over the past few years has also created an opportunity for SaskEnergy to purchase relatively low-priced natural gas to inject into this storage facility with the intent to subsequently sell it at a profit. During off-peak periods the Corporation also optimizes transmission and storage capacity by purchasing and selling natural gas in the open market to generate additional margins. The margins earned on this activity benefit customers by reducing pressure on transmission and distribution tolls. Lastly, SaskEnergy provides natural gas supply options to larger end-use customers in Saskatchewan through non-regulated contract sales.

Transactions undertaken through the Corporation's gas marketing strategies result in exposure to risk, especially given the volatility of natural gas market prices. Similar to the discussion regarding commodity sales, the Corporation may enter into various natural gas contracts in order to manage natural gas price risk for its gas marketing activities. These natural gas contracts are derivative instruments and, as such, are recorded at fair value until the date of settlement. Changes in fair value are recorded in either gas marketing sales or gas marketing purchases, depending on the specific natural gas contract. Once settled, the amount paid or received for the contract is recorded in gas marketing sales or gas marketing purchases, as appropriate.

During 2012, fair value adjustments on derivative instruments reduced the margin on gas marketing sales by $32 million as the favourable fair value at December 31, 2012 was $42 million compared to the $74 million favourable fair value position at the end of 2011. As natural gas market prices remained low throughout 2012, the differential between the average selling price and the average market price on natural gas sales contracts diminished resulting in the decline in fair value adjustments. To put this into context, at the end of 2012 the average selling price of natural gas sales contracts was $3.72 per GJ, compared to an average market price of $3.18 per GJ. By comparison, at the end of 2011 the average selling price was $4.43 per GJ and the average market price was $3.08 per GJ.

At each reporting period, the Corporation measures the net realizable value of gas marketing natural gas in storage based on forward market prices. Low natural gas prices have translated to reduced prices on the forward curve, leaving the net realizable value of gas marketing natural gas in storage below cost. However, throughout 2012, the Corporation took advantage of low natural gas prices by increasing the volume of gas marketing inventory. This led to a 13 per cent decline in the average cost of inventory and a $21 million improvement in the revaluation of natural gas in storage from $45 million at the end of 2011 to $24 million at the end of 2012. If forward natural gas prices improve in relation to the cost of the Corporation's inventory, SaskEnergy will record an additional upward revaluation to recognize the increase in net realizable value, up to a maximum of the original cost. Otherwise, the $24 million revaluation will result in improved margins in the future, as contracts are settled by virtue of the lower carrying value of natural gas in storage.

The realized margin on gas marketing sales, which removes fair value adjustments on financial instruments and the revaluation of natural gas in storage, was $47 million. This was an increase of $6 million from last year as low market prices for natural gas allowed for continued positive returns from the operation of the Corporation's storage facility in west-central Saskatchewan leading to a 42 per cent increase in the volume of gas marketing sales. In order to take further advantage of the current low price environment, the Corporation also increased its gas marketing inventory by more than 14 PJ, which will be sold to earn a positive margin in the future.

Delivery Revenue

The Corporation earns delivery revenue based on the volume of natural gas delivered to distribution customers plus a basic monthly charge. The Corporation experienced another strong year for customer growth with nearly 7,400 new residential, business and industrial customers added to its distribution system. This customer growth led to additional delivery volumes and basic monthly charge revenue and contributed to a $7 million increase in delivery revenue when compared to 2011.

Saskatchewan's continued strong economic growth led to greater demand for SaskEnergy's services, contributing not only to increased revenue but also to cost pressures. During the past five years, SaskEnergy has connected more than 33,000 new customers — four times the average over the previous 10 years. This strong pace of development has significantly impacted the level of capital investment as well as SaskEnergy's

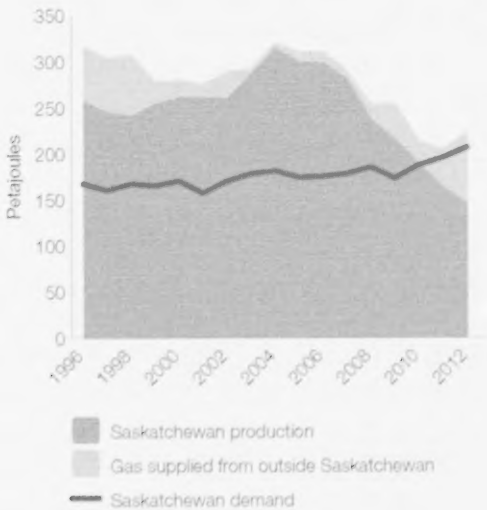
"During the past five years, SaskEnergy has connected more than 33,000 new customers..."

safety-related activities, such as line locates. SaskEnergy also heightened vigilance efforts related to public safety and infrastructure integrity programs. Natural gas related incidents, both across the industry and within Saskatchewan in 2011, created a need for additional infrastructure improvements to an already robust safety and integrity program. These cost pressures led to a 6.7 per cent increase in SaskEnergy's delivery service rates effective July 1, 2012 and resulted in an average bill increase of 2.9 per cent for all customer classes, contributing to the increase in delivery revenue on a year-over-year basis. The Corporation, through its alignment with the Crown Sector Priorities, remains committed to delivering safe, reliable and affordable services to its customers at competitive prices and, despite the rate increase, still offers the lowest residential delivery rates in Canada.

The Corporation's 2012 delivery revenue was negatively impacted by exceptionally warm weather during the first quarter. However, a cold fourth quarter brought the weather for 2012 to only 2.4 per cent warmer than normal, based on weather data for the past 30 years, and only three per cent warmer than the previous year. Further impacting the volume delivered was the continued downward trend in usage per customer (3.4 per cent decline from 2011 to 2012), given the focus on energy conservation and advances in technology.

Transportation and Storage Revenue

The Corporation's subsidiary, TransGas, provides receipt and delivery transportation through the use of the TransGas Energy Pool (TEP), a notional point where producers, marketers and end-users can match supplies to demand. On the receipt side, the Corporation offers both firm and interruptible transportation from points of receipt to TEP. On the delivery side, the Corporation offers firm and interruptible service for gas delivered from TEP to export, as well as to the intra-Saskatchewan market. Integral to the Corporation's transmission system are several strategically located natural gas storage sites with the capacity to provide operational flexibility along with a highly reliable and competitive natural gas storage service.



The recent low market prices for natural gas have led to a significant decline in natural gas drilling in Western Canadian conventional gas reservoirs, including those in Saskatchewan. At the same time, low market prices combined with the expansion of the provincial economy have resulted in increased demand within the industrial sector, transitioning Saskatchewan from a net exporter to a net importer of natural gas. Consequently, the Corporation has experienced a 4.9 per cent increase in deliveries within Saskatchewan as well as a 38.8 per cent increase in volumes imported from Alberta, adding a significant degree of cost pressure to the transmission system. The Corporation has also made a substantial investment in infrastructure to maintain high quality, reliable service to its customers. As a result, a 7.5 per cent increase to transportation rates and a 0.9 per cent increase to storage rates became effective February 1, 2012. The rate increase, along with increased demand, resulted in an $8 million increase in transportation and storage revenue in 2012.

Customer Capital Contributions

The Corporation receives capital contributions from customers in exchange for the construction of new, customer-specific service connections. These contributions, less potential refunds, are recognized as revenue once the related property, plant and equipment is available for use. The Corporation experienced high levels of distribution system customer connections during the year, leading to increased customer capital contribution revenue. However, customer capital contribution revenue of $29 million was $14 million below prior year as the Corporation recognized several significant contributions related to transmission projects completed during 2011. The volume and magnitude of these contributions can vary significantly year over year as varying factors influence their receipt. Generally, customer capital contributions related to the transmission system tend to be large relative to contributions related to the distribution system.

Other Revenue

Other revenue, primarily consisting of natural gas processing operations and royalty revenues, of $12 million was consistent with the prior year. The Corporation's natural gas processing operations include gas processing at two separate gas plants and the sale of natural gas liquids from the processing operations. Increased production volumes and processing fees led to an additional $1 million of revenue in 2012. Royalty revenue from a gross overriding royalty on 450 natural gas-producing properties in Saskatchewan and Alberta was $1 million below 2011 driven by lower natural gas prices and declining natural gas production.

Other Expenses

Employee benefits include the salaries, wages and benefits provided to the Corporation's employees, less allocations to property, plant and equipment as a result of employee work on capital projects. Total employee benefits expense of $85 million was $3 million greater than the prior year as salaries and wages were higher due to an economic increase for employees.

Despite rising cost pressures, operating and maintenance expense of $85 million was only $2 million above the prior year, a two per cent increase. This is a testament to the Corporation's commitment to finding innovative ways to improve efficiency while containing costs. Since 2009, the Corporation has realized more than $22 million in savings and process improvements, with nearly $6 million achieved in 2012 alone. Throughout 2012, the Corporation achieved savings through initiatives such as mobile compression, collaboration with third parties and reduced corporate spending, fuel usage and third party transportation. Through this commitment, the Corporation has improved processes and managed resources to counter such cost drivers as continued customer growth and non-controllable increases from third parties.

Consistent with the Crown Sector Priorities, the Corporation improved service delivery through outsourcing and procurement of services as elevated levels of customer activity and demand required a continued focus on identifying advantageous third-party solutions to facilitate efficient service delivery processes. By using external contractors, as well as process improvements like four-party trenching, SaskEnergy was able to keep up with increased customer demand for services. Through the New West Partnership Agreement, the Corporation was able to gain access to a broader and more diverse array of service providers allowing the implementation of innovative solutions that helped to lessen the impact of cost increases.

Depreciation and amortization expense of $73 million was $5 million higher than 2011 due to an increase in capital assets. Saskatchewan taxes of $10 million, which include corporate capital taxes paid to the Province and grants in-lieu of taxes paid to municipalities, were consistent with the prior year.

Net Finance Expenses

Net finance expenses, before the impact of fair value adjustments on debt retirement funds, were $39 million for 2012. Total long-term debt increased by $97 million while short-term debt decreased by $39 million, an overall increase of $58 million. Additional debt was required to fund the significant level of capital expenditures and was the principle reason for a $4 million increase in net finance expenses. This additional debt was issued at a historically low rate of 3.4 per cent for a 30-year term. Notwithstanding the increase in the amount of debt outstanding, the Corporation's debt ratio improved from 60 per cent at the end of 2011 to 59 per cent at the end of 2012 given the $80 million increase in retained earnings during the year.

LIQUIDITY AND CAPITAL RESOURCES

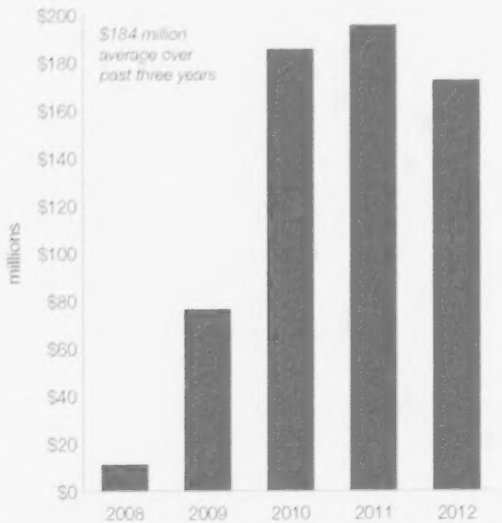
Cash from operations and debt borrowed from the Province of Saskatchewan's General Revenue Fund are the primary sources of liquidity and capital for SaskEnergy. Sources of liquidity include Order in Council authority to borrow up to $400 million in short-term loans from the Province's General Revenue Fund and a $35 million uncommitted line of credit with the Toronto-Dominion Bank. Over the longer term, *The SaskEnergy Act* allows the Corporation to borrow up to $1,700 million.

(millions)	2012	2011	Change
Cash provided by operating activities	$ 172	$ 195	$ (23)
Cash used in investing activities	(181)	(150)	(31)
Cash used in financing activities	(10)	(25)	15
(Decrease) increase in cash during the period	$ (19)	$ 20	$ (39)

Cash Provided by Operating Activities

Cash from operating activities was $172 million in 2012, a decrease of $23 million from last year. While there are other factors affecting this reduction, such as the lower commodity rate, it is mostly attributable to weather. Cold weather throughout October to December made up for a warm first quarter. In particular, December was 15 per cent colder than normal and contributed more than $27 million to the Corporation's income before unrealized market value adjustments. However, since December revenue was reflected in accounts receivable at the end of the year, SaskEnergy had not yet received the related cash inflow.

Cash Provided by Operating Activities

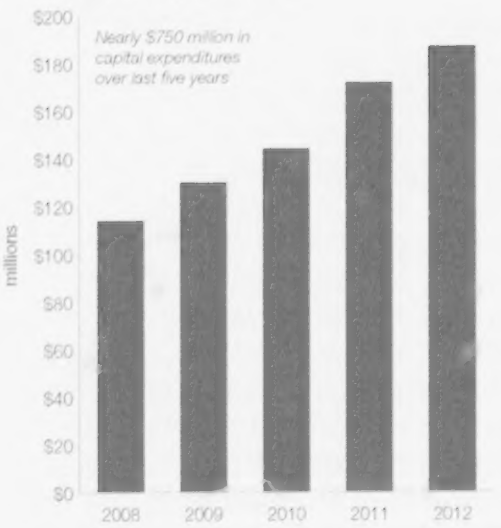


At the end of the year, total natural gas in storage inventory was nearly 10 PJ higher. Although volumes are up from the prior year, with lower market prices there was no additional investment in inventory as the average cost of natural gas in storage per GJ declined by 13 per cent.

Cash Used in Investing Activities

Cash used in investing activities totalled $181 million for the year, a $31 million increase from the prior year. This year SaskEnergy invested $161 million in expanding the capacity and maintaining the integrity of its extensive distribution and transmission systems. This was an $18 million increase over the amount invested in 2011, reflecting not only the sustained growth in Saskatchewan, but also the Corporation's commitment to enhance its already robust safety programming and integrity systems. The Corporation also continued work on a new Customer Information System (CIS) that had extended development throughout 2012 and will be implemented in 2013. The new CIS will better position SaskEnergy to serve its distribution customers. Growth initiatives also accounted for $5 million of the current year's capital expenditures, many of which rely on private-sector partnerships.

Capital Expenditures



Cash Provided by Financing Activities

During 2012, the Corporation used $10 million in financing activities as it issued $147 million in long-term debt in the first quarter and repaid $50 million in long-term debt in the fourth quarter for a net increase of $97 million. SaskEnergy used this cash to reduce its short-term debt by $39 million, pay $43 million in interest and help fund the record level of capital expenditures discussed under investing activities. In addition, the Corporation paid a total of $25 million in dividends to its parent, CIC. At the end of the year, SaskEnergy's debt to equity ratio was 59 per cent debt and 41 per cent equity, slightly improved from the prior year.

Outlook

In the upcoming year, the Corporation plans to spend $255 million on capital expenditures to meet customer needs and ensure the continued reliability of the transmission and distribution systems. This level of expenditures is expected to be maintained in the upcoming years, with more than $1 billion budgeted for total SaskEnergy capital projects between 2013 and 2017. The Corporation will also have $482 million in anticipated financial obligations coming due during 2013, including $275 million short-term debt, $105 million accounts payable, $11 million dividends payable and $91 million of long-term debt principal and interest.

The Corporation is well-positioned to fund these capital expenditures and financial obligations through its consistent operating cash flows and debt available through the Province. Given the Province's "AAA" credit rating, the Corporation is able to take advantage of historically low interest rates to fund these expenditures, matching the multi-generational life expectancy of the capital assets. Each year, with co-operation and consultation with the Province, CIC and management, the Corporation prepares a Debt Management Plan that factors the current interest rate environment with liquidity requirements to plan for short- and long-term borrowings for the coming years. In addition, the Corporation's strategic objective designed to inject natural gas into storage during low priced periods and hold the gas for resale in future periods will generate additional margins and cash flow for the Corporation.

SASKENERGY'S STRATEGIC PLAN AND KEY SUCCESS MEASURES

SaskEnergy's 2012 Business Plan was based on the Corporation's established Strategic Plan, which was subsequently updated later in 2012. The 2012 Business Plan contained four key mandates – Our Future, Our Growth, Our Service and Our People – supporting the vision, mission and values of the Corporation.

SaskEnergy's four strategic mandates play a vital role in the Corporation's business planning and reporting, and in helping employees determine how their everyday work and effort contribute to the Strategic Plan and overall direction of the Corporation. Each year, SaskEnergy comprehensively sets, measures and reports targets for all aspects of its business according to the highest standards – those it sets for itself to create superior value through innovative energy solutions.

The 2012 SaskEnergy Annual Report reflects the Corporation's efforts to demonstrate best practices in corporate and financial reporting. SaskEnergy benchmarks its activity against best-practice industry standards through a reporting scorecard aligned with the Strategic Plan. Part of the 2012 MD&A is based on the key success measures found within the scorecard.

This scorecard's 29 key success measures, representative of SaskEnergy's four strategic mandates, monitor and direct organizational performance. The targets for these key success measures were established in the 2012 Business Plan. The Our Future mandate measures are in place to reinforce the Corporation's commitment to achieving sustainable operations within the Province. The Our Growth measures reflect the Corporation's Saskatchewan-based growth initiatives and development of new core and non-core business ventures. The Our Service measures are in place to reflect the Corporation's commitment to providing safe and reliable service and customer service excellence. Finally, the Our People measures are designed to ensure the future success of the Corporation through a safe, engaged, productive and diverse workforce.

The scorecard provides an overview of the Corporation's 2012 financial results and important operational information about SaskEnergy and its subsidiaries.

The future year scorecard targets within the key success measures reflect the updated SaskEnergy Strategic Plan and the 2013 Business Plan.

OUR FUTURE

Strategic Measure	2011 Actual	2012 Actual	2012 Target	2013 Target	2014 Forecast	2015 Forecast
Financial Health						
• Debt/Equity Ratio	60/40	59/41	57/43	61/39	62/38	61/39
• Rate of Return on Equity						
◦ Regulated Utility Operations[1]	6.5%	8.9%	8.9%	–	–	–
◦ Consolidated	13.6%	11.0%	9.0%	10.6%	9.4%	9.0%
• Income Before Unrealized Market Value Adjustments (millions)	$84	$73	$65	$72	$69	$70
Community Investment						
• Projects Supported[2]	1,121	1,030	1,300	–	–	–
• Communities Impacted	314	337	270	270	270	270
• Total Contracts – Percentage of Aboriginal Labour Content	12%	18%	12%	12%	13%	14%
Environmental						
• Customer Efficiency Programs						
◦ Number of Customers Impacted[2]	9,212	8,996	6,500	–	–	–
• Internal Energy Efficiencies						
◦ in terajoules	38.7	30.0	55.5	37.0	37.0	37.0
◦ in $ millions	$0.16	$0.12	$0.22	$0.15	$0.15	$0.15
• GHG Reductions						
◦ Percentage of "Go Green" Regulatory Target Achieved	71%	64%	79%	79%	81%	84%

[1] The Rate of Return on Equity measure for the Distribution Utility fluctuates because it is based on the calendar year, and rates are set based on a test year. The TransGas Rate of Return on Equity measure does not include Coleville Processing Plant results.
[2] This measure has been discontinued for the 2013 Business Plan.

Financial Health

SaskEnergy's financial health is based on the Corporation maintaining an appropriate capital structure while providing reasonable financial returns to the Owner and competitive rates to customers. The Corporation works hard to balance the interests of both the Owner and its customers — focusing on annual profitability and long-term sustainability.

In 2012, SaskEnergy's debt/equity ratio of 59/41 was slightly higher than the target of 57/43. This was due to an increase in long-term debt in 2012, offset slightly by higher than anticipated earnings during the year. The additional debt was acquired to fund the $187 million in capital expenditures incurred throughout the year to meet the needs of a growing province. Notwithstanding the addition of new long-term debt and increased capital expenditures, SaskEnergy has still been able to provide its customers with the lowest commodity rates in 12 years.

Rate of Return on Equity for Regulated Utility Operations in 2012 was 8.9 per cent, which met the target of 8.9 per cent.

The return on equity on a consolidated basis for 2012, before the effects of unrealized market value adjustments, was 11.0 per cent. This exceeds the 2012 target of 9.0 per cent, due primarily to higher than anticipated earnings during the year.

SaskEnergy's 2012 income before unrealized market value adjustments was $73 million, compared to the target of $65 million. This was due to higher than forecasted realized margins on gas marketing sales, as a result of natural gas prices, and revenue recognized on customer capital contributions as a result of the large number of distribution system customer connections during the year. Other expenses of $253 million were $2 million below the budget, a result of SaskEnergy's continued commitment to improve efficiency and contain costs. Conversely, the Corporation realized a loss on commodity sales to distribution customers as the budget assumed a commodity rate of $4.55 per GJ for the entire year, while the actual commodity rate was lowered to $3.82 per GJ effective April 1, 2012.

Community Investment

SaskEnergy believes that being a responsible and contributing member of the communities it serves is an essential part of its business strategy. Working closely with customers and the members of Saskatchewan communities helps ensure the longevity of successful business operations.

SaskEnergy did not meet its 2012 Community Investment target of supporting 1,300 projects, with a year-end total of 1,030. However, the total of 337 communities impacted throughout the year exceeded the goal of 270.

SaskEnergy strengthened its presence in Saskatchewan communities in 2012 with a budget of $1.2 million for sponsorships and donations. The Corporation strategically prioritizes the types of sponsorships it provides. For 2012, cash donations were distributed to the following categories: Community Engagement (34 per cent), Learning and Development (21 per cent), Saskatchewan Pride (37 per cent), Environmental Stewardship (seven per cent), and Saskatchewan Growth (one per cent). Overall, 15 per cent of all cash donations were provided to Aboriginal-related initiatives and 55 per cent supported initiatives with a focus on youth.

Another important element of SaskEnergy's contribution to Saskatchewan involves supporting the strong and vibrant Aboriginal labour and business markets. This emerging market serves as an opportunity to create new, sustainable business and jobs for Aboriginal people today, and into the future. Aboriginal labour content in contracts awarded was 18 per cent in 2012, exceeding SaskEnergy's goal of 12 per cent. This increase was due to large contracts awarded within the construction and communications areas to companies with significant Aboriginal representation within their employee base.

Environmental

SaskEnergy places a strong emphasis on environmental sustainability. The Corporation partners with both the private and public sectors to help introduce and develop energy efficiency programs, opportunities and technologies that will play a role in the reduction of greenhouse gas (GHG) emissions. This measure is used to evaluate the Corporation's environmental impact.

SaskEnergy is committed to environmental leadership and assisting its customers in responsible natural gas use through energy efficiency programs. SaskEnergy works closely with the Province and other strategic partners to assist homeowners with using natural gas responsibly. While the goal was to assist 6,500 customers through these energy efficiency programs, the 2012 total was 8,996 customers.

SaskEnergy develops, delivers and funds several energy efficiency programs and rebates that directly benefit customers. These include: the $15 Programmable Thermostat Rebate, the ENERGY STAR® Loan Program, the Commercial Boiler Program, the Commercial HVAC Program, SaskEnergy Home

Check-Up and Home Heating Tune-Up, the Energy Efficient Rebate for New Homes Gas Appliances rebate and the Home Energy Legacy Project. In 2012, the Corporation reached a total of 2,411 customers through these programs.

Programs that are delivered by SaskEnergy but funded by other organizations include the Saskatchewan EnerGuide for Houses Program (SEGH) and the Energy Efficient Rebate for New Homes. In 2012, SaskEnergy assisted 6,585 customers through these programs. Saskatchewan continues to lead the nation in participation rates for the SEGH program, with 16.3 per cent of the housing stock (58,446 homeowners) having an initial pre-retrofit evaluation completed since the program began in April 2007. The average for Canada is 9.2 per cent. In addition, 6,220 homeowners completed a Saskatchewan EnerGuide for Houses program pre-retrofit evaluation in 2012, a slight increase from 6,047 in 2011.

SaskEnergy's efforts to educate and assist Saskatchewan residents in their energy efficiency activities received high scores in the company's annual customer satisfaction survey. More than 88 per cent (telephone) and 84 per cent (online) of the surveyed customers agreed that SaskEnergy is "committed to helping them use energy wisely." In addition, more than 88 per cent (telephone) and 83 per cent (online) of customers surveyed think SaskEnergy is "behaving in an environmentally responsible manner."

In 2012, SaskEnergy did not meet its internal energy efficiency goal of 55.5 TJ for 2012, saving a total of 30 TJ of energy. SaskEnergy's 2012 energy efficiency target was based on expected efficiencies primarily from reductions in vented gas, compressor and burner efficiency management, and the completion of another Waste Heat Recovery (WHR) project at the Coleville Processing Plant.

Also included in that target were two WHR projects that did not proceed in 2012, which together accounted for 18 TJ of the 55.5 TJ target. One project, planned for Regina, was cancelled when it was not selected for an external green funding opportunity, while the other project, planned for Saskatoon, is now scheduled for completion in 2013.

As part of the provincial "Go Green" program, SaskEnergy has established an ongoing GHG reduction target of 5,000 tonnes of CO_2 equivalent (CO_2e) per year (to a level 20 per cent below 2006 emission levels by 2020). Although significant achievements have been made in improving internal energy efficiency, the continued increase in system utilization to support provincial growth has resulted in a regression from the long-term targets. At the end of 2011 SaskEnergy had achieved 71 per cent of its Go Green target, which included the GHG reductions from the Rosetown WHR project of nearly six per cent. For 2012, that number declined to 64 per cent.

Primary factors affecting the 2012 performance include increased industrial sector demand and increased average natural gas haul distance as greater volumes were transported from Alberta. In response, TransGas compressor horsepower-hours rose 15 per cent from 2011. For that same period, TransGas fuel gas use increased by only 9.6 per cent, indicating that while system utilization is growing, corporate efficiency efforts are having a positive impact.

While current forecasts indicate that changes to operational drivers will continue to result in increased fuel use for the next several years, SaskEnergy and TransGas continue to strive to achieve 100 per cent of the provincial reduction target by 2020.

Our Future Outlook

The strong economic development in the Province will result in continued elevated industrial, commercial and residential customer growth for SaskEnergy and TransGas. To continue to generate appropriate and industry-comparable returns, the Corporation will provide cost-effective management of long-term utility gas supply. This will include balancing competitive customer rates with the need to manage the volatility inherent in the North American commodity market, and effective capital management.

SaskEnergy values stakeholder dialogue to provide understanding and input into corporate directions and service delivery. Continued communication with stakeholders will be required to successfully manage many key corporate initiatives related to residential and industrial growth requirements.

Given the significant number of business drivers currently influencing SaskEnergy's core operations, and the potential volatility built into commodity markets, the Corporation has adopted an increased enterprise value focus. As part of this approach, the overall corporate priority, as well as the long-range implications of initiatives, must be clearly identified and weighed as part of the planning process.

SaskEnergy's Corporate Social Responsibility strategy continues to evolve, in keeping with industry best practices and shareholder direction. SaskEnergy and TransGas will continue to demonstrate environmental stewardship in their operations, giving customers incentives to make their homes and businesses more energy efficient, while investing in solutions and programs to reduce the corporate environmental footprint.

OUR GROWTH

Strategic Measure	2011 Actual	2012 Actual	2012 Target	2013 Target	2014 Forecast	2015 Forecast
Business Development[1]						
• Rate of Return on Investment[2]	1.5%	7.2%	8.8%	–	–	–
• Direct Capital Investment (millions)	$3.7	$5.0	$13.6	–	–	–
• Third-Party Capital Leveraged (millions)[3]	$42.1	$2.8	$45.6	–	–	–
Core Growth – Capital Investment in New Infrastructure (millions)[4]	$71.5	$57.6	$129.2	–	–	–
Business Growth Investment[5]						
• Core Growth – SaskEnergy and TransGas Revenue Growth as a Per Cent	New for 2013	6.6%	5.4%	6.3%	4.9%	8.5%
Diversified Non-Core Business[6]						
• Net Revenue (millions)	New for 2013	$33.5	$32.6	$31.8	$27.7	$28.3
• Total Capital Investment (millions)	New for 2013	$7.8	$59.2	$89.9	$25.7	$25.3
(Percentage of Third Party Capital Investment)	New for 2013	(36%)	(77%)	(82%)	(49%)	(49%)
• Rate of Return on Equity	New for 2013	30.9%	26.8%	23.8%	15.9%	15.3%

[1] This measure has been discontinued for the 2013 Business Plan. Business Development includes the total business development activity undertaken by all subsidiaries of SaskEnergy, including TransGas non-core activity, Bayhurst Gas Storage Inc (the joint venture), Kisbey Gas Processing Plant, and activity related to alternative energy solutions.

[2] Beginning in 2012, this measure is calculated as the earnings before interest, taxes, depreciation and amortization (EBITDA) over the capital investment after the project has a minimum of 12 months of operation.

[3] This measure has changed for the 2012 Business Plan to reflect only capital contributed by third parties, and excludes capital expenditures related to commodity marketing activity.

[4] This measure has been discontinued for the 2013 Business Plan. It includes the capital investment required to build facilities to bring gas from Alberta to meet Saskatchewan demand and for storage expansion, but excludes capital for asset renewal. This measure is calculated net of customer contributions.

[5] This section contains all new measures for 2013, developed as part of the new SaskEnergy Strategic Plan, with the 2012 result shown for comparative purposes only.

Business Development

The Business Development scorecard category is comprised of three measures. The Rate of Return on Investment measure assumes that incremental revenues will be generated from new business development activities related to gas processing, storage, and alternative energy solutions. The Direct Capital Investment measure tracks the capital investment undertaken by SaskEnergy and its subsidiaries for Business Development. Finally, the Third Party Capital Leveraged measure tracks the capital invested by third parties in business development initiatives undertaken by SaskEnergy or its subsidiaries.

In 2012, SaskEnergy Business Development did not meet its direct capital investment target of $13.6 million, finishing the year at $5.0 million. The shortfall is attributable to delays and changing factors in a number of projects, including the Southeast Saskatchewan Straddle Plant, the WHR project rollout, the Saskatoon Town Border Station #1 power production project as well as the cancellation of the Regina Town Border Station #1 power production project. For these same reasons, SaskEnergy did not meet its Third-Party Capital Leveraged target of $45.6 million (finishing the year at $2.8 million).

SaskEnergy did not meet its Business Development Rate of Return on Investment target of 8.8 per cent in 2012 (finishing the year at 7.2 per cent) due to lower than expected revenues from the Kisbey Gas Processing Plant.

While the Business Development targets were not met in 2012, key accomplishments included the completion of one new Kisbey Gas Processing Plant customer connection, awarding an equipment tender for the Saskatoon Town Border Station #1 power production project, progress on the proposed Southeast Saskatchewan Straddle Plant project, and the signing of a service agreement between SaskEnergy and CanGas Solutions Inc. for a compressed natural gas loading facility at Weyburn.

Capital Investment in New Infrastructure

The Capital Investment in New Infrastructure measure tracks the capital expenditures for SaskEnergy customer connections and TransGas capital expenditures related to storage and transmission system growth, net of customer capital contributions.

In 2012, SaskEnergy did not meet its capital investment in new infrastructure target of $129.2 million. The primary reason for the reduced capital requirement in 2012 is the successfully deferred $60 million Bayhurst-to-Rosetown 16-inch pipeline project. However, relative to budget, this under-expenditure was partially offset by increased capital requirements for customer connections and safety/vigilance programming.

Our Growth Outlook

The sustained growth of Saskatchewan's population and economy has benefited SaskEnergy. New distribution customers are being added at a rate that is significantly higher than the 10-year average and continued industrial sector strength in the Province contributed to increased domestic demand for natural gas transmission volumes. With continued growth projected on both fronts, effective customer service delivery will remain a key focus for the Corporation. SaskEnergy will increase proactive efforts around new customer connects, including joint trenching initiatives with other Saskatchewan Crown corporations, and projects in areas of the Province that are currently unserved.

Potash mines, fertilizer plants and enhanced oil recovery will continue to be major areas of industrial load growth for TransGas in 2013. Installation of the new facilities needed to serve these customers can be significant and will require attention to ensure in-service dates are met.

Executing on the corporate commodity strategy involves capturing and realizing financial value through changing natural gas market conditions. These commodity-related activities generate additional net income for SaskEnergy, reducing customer rate pressures by optimizing the core utility assets of both SaskEnergy and TransGas.

SaskEnergy, as a Saskatchewan Crown corporation, is committed to entering into alliances, joint ventures, and other relationships with the private sector, and to focusing operations and investments in Saskatchewan. As part of its focus on innovation and business development, SaskEnergy will continue to work with private sector partners to pursue new energy-related growth opportunities and accelerate capital investments in Saskatchewan. SaskEnergy's core expertise in gas storage, transportation and distribution, as well as its history of collaboration with industry, are key values that will be leveraged in opportunities focused on innovative waste energy capture; gas processing/storage; and traditional fuel displacement in northern mines and communities, the transportation sector, and the oil and gas drilling industry.

OUR SERVICE

Strategic Measure	2011 Actual	2012 Actual	2012 Target	2013 Target	2014 Forecast	2015 Forecast
Efficient Operations						
• Distribution						
◦ Operation, Maintenance and Administration Costs (per customer)	$279	$285	$289	$295	$292	$292
◦ Competitive Residential Delivery Rates	Lowest in Canada	Lowest in Canada	Competitive with Industry	Competitive with Industry	Competitive with Industry	Competitive with Industry
• TransGas						
◦ Rate of Operation, Maintenance and Administration Costs	8.5%	7.7%	6.9%	7.8%	7.4%	7.4%
◦ Competitive Transmission Rates (NOVA)[1]	TransGas: 31.0¢/GJ NOVA: 35.2¢/GJ	TransGas: 33.3¢/GJ NOVA: 33.0¢/GJ	Competitive with Industry	–	–	–
Customer Satisfaction						
• SaskEnergy	91%	92%	89%[2]	89%	89%	89%
• TransGas	93%	94%	90%[2]	90%	90%	90%
SaskEnergy Safe and Reliable Index[1]	8.9	8.7	9.0	–	–	–
TransGas Safe and Reliable Index[1]	9.2	9.1	9.5	–	–	–
Safety and Integrity	2.5%	4.7%	4.0%	5.8%	6.3%	7.2%
SaskEnergy Leaks per 1,000 km of Pipe[3]	New for 2013	New for 2013	New for 2013	1.70	1.60	1.50
TransGas Pipeline Failures per 1,000 km of Pipe[3]	New for 2013	New for 2013	New for 2013	0.15	0.13	0.11

[1] This measure has been discontinued for the 2013 Business Plan.
[2] Targets were increased and approved by the CIC Board in September 2012.
[3] SaskEnergy leaks and TransGas pipeline failures per 1,000 kms of pipe are new measures, beginning in 2013, to replace the Safe and Reliable Indexes, which will continue to be tracked and reported internally. These new measures will provide a clearer comparison to available industry metrics.

Efficient Operations

The Operation, Maintenance and Administration (OMA) Costs measure is a proxy for the relative efficiency of the Distribution Utility's operations, while the Rate of OMA Costs measure serves the same purpose for the Transmission Utility's operations. The Competitive Rate measures reflect SaskEnergy and TransGas' commitment to the cost-effective delivery of natural gas services to all customers in Saskatchewan, and align with the Crown Sector Priority of finding innovative ways to improve efficiency while containing costs. Competitive rates permit SaskEnergy to support economic growth through an energy advantage of conducting business in the Province.

SaskEnergy's rates are approved by the Provincial Cabinet, which receives recommendations on proposed rate changes from the Saskatchewan Rate Review Panel (SRRP), an independent body which reviews all rate changes proposed by the Corporation. TransGas has a Customer Dialogue process where business, operational and rate matters are openly discussed with a representative group of customers. TransGas transportation and storage rates are also subject to Provincial Cabinet approval.

Distribution

In 2012, SaskEnergy's Distribution Utility exceeded its target of $289 in OMA per distribution customer, with a measure of $285 per customer. This was achieved despite the large amount of capital work associated with connecting new customers and in making system improvements, which resulted in a significant amount of operational labour cost. However, the increase in the customer base, as the denominator in this ratio, positively affected these results.

SaskEnergy achieved its 2012 goal of having competitive residential delivery rates among the major utilities across Canada. Based on the previous 12 months, a typical residential customer in Saskatchewan paid $412 for delivery service, which was the lowest amount across Canada. Calgary had the second-lowest annual delivery charges, which were $10 higher than those paid by Saskatchewan customers.

TransGas

In 2012, TransGas did not meet its operational efficiency target, finishing the year with an OMA rate of 7.7 per cent versus a target of 6.9 per cent. While operating costs did not vary significantly from budget, the deferral of capital projects resulted in a smaller than expected increase to the overall asset base.

TransGas, which benchmarks its export rates against those of TransCanada Pipelines (TCPL) (NOVA) in Alberta, was successful this year in meeting its target of having rates that are competitive with the industry. At 33.3¢ per GJ, TransGas' 2012 rates were just 0.3 cents more per GJ than those of TCPL (NOVA) in Alberta (33.0¢ per GJ).

Customer Satisfaction

In alignment with the Crown Sector Priority of commitment to high quality and affordable services, SaskEnergy has a strong record of delivering safe, reliable, and affordable services to its customers, which is evidenced by annual customer satisfaction results. Customers are vital to a successful business, and the Corporation strives to ensure their expectations are not just met, but exceeded.

SaskEnergy

Each year, residential customers are surveyed to evaluate SaskEnergy's performance in providing reliable service and a high standard of customer service, along with other key areas such as environmental responsibility, commitment to help customers use energy responsibly, initiatives to meet their needs, and maintaining low rates.

In 2012, 92 per cent of the 1,200 residential customers surveyed rated their "overall satisfaction with SaskEnergy" as a 5, 6, or 7 on a 7-point scale. This exceeds the target of 89 per cent. In addition to the excellent overall satisfaction score, the 2012 SaskEnergy survey results show high levels of customer satisfaction in virtually all areas.

TransGas

Each year, TransGas conducts a customer satisfaction survey to measure its progress in several aspects of business, including staff, applications, reliability and customer service excellence.

In the 2012 survey, conducted in November, TransGas received a composite score of 4.7 out of a possible 5.0 rating. This score represents a 94 per cent level of customer satisfaction, which exceeds the 90 per cent target for 2012.

SaskEnergy Safe and Reliable Index

The SaskEnergy Safe and Reliable Index measure is an average of the Response Time Index and the Reliability Index, both of which include a variety of industry-aligned service indicators and internal measures. In general, the Response Time Index measures the time required for technicians to respond to emergency calls, while the Reliability Index includes factors relating to customer outages, their cause and impact.

Overall for 2012, SaskEnergy achieved a Safe and Reliable Index rating of 8.7, which was below the target rating of 9.0. The rating is considered favourable, given the significant customer growth and strong lead indicator results. There were a total of 82 incidents that resulted in outages in 2012, which impacted 936 customers. Of the incidents, 66 were caused by third parties, 15 related to system issues, and one was attributed to internal operator error.

TransGas Safe and Reliable Index

The TransGas Safe and Reliable Index measure is an average of the Reliability Index and the Emergency Index, both of which include a variety of industry-aligned service indicators and internal measures. The Reliability Index includes factors relating to planned maintenance, reliability of critical compressor units, public awareness contacts completed and unplanned outages. The Emergency Index includes emergency equipment checks and maintenance, emergency exercises, and the number of line hits, spills and emergencies where the response was not in accordance with corporate procedure.

For 2012, TransGas achieved an overall score in safety and reliability of 9.1, just under the target of 9.5. Although a number of incidents were experienced early this year, emergency response and recovery measures were effective in safely addressing the failures and also minimizing service delivery interruption to our customers.

Another reason for below target performance was related to leading indicators and the need for improved scheduling for both training and preventative maintenance. With the increased requirement for running horsepower on the TransGas system, the windows for taking plants out of service for preventative maintenance are getting smaller, requiring better planning and scheduling to conduct this work. Staff turnover is also requiring added attention to ensure mandatory training is delivered in a timely fashion. Throughout the year improvements were made in both of these areas.

Other improvements were observed in the reliability of the compressor fleet, increased public awareness contacts, and pipeline liquids spill response. Overall, the lag performance indicators are still relatively strong, indicating that TransGas operates a safe and reliable system.

Safety and Integrity

New for 2012, this measure quantifies the efforts related to enhanced safety and integrity relative to the book value of assets. It reflects the current year's integrity capital spending as a percentage of the Corporation's assets as of 15 years prior. In general, old assets require greater attention from an integrity perspective, making it appropriate to measure integrity spending against these older assets.

With a year-end measure of 4.7 per cent, SaskEnergy exceeded the 2012 Safety and Integrity target of 4.0 per cent. This was in large part due to a 92 per cent increase in integrity program capital spending from 2011. Highlights included distribution service upgrades, removal and replacement of the distribution main line crossing the Prince Albert bridge, 415 kilometres of in-line inspection on 10 separate transmission pipelines, and the purchase of mobile compression.

Our Service Outlook

With economic market indicators pointing to a continued accelerated pace for Saskatchewan businesses, an emphasis on nimble and flexible service execution and capitalizing on changes within core business, growth and resourcing has been identified.

SaskEnergy's heightened efforts related to public safety and infrastructure integrity systems are occurring throughout a period of increased public scrutiny. Elevated public safety expectations and regulatory oversight demands have significantly shaped SaskEnergy's resourcing, capital investment, customer communications, and rate strategies for the coming years.

Increased regulatory oversight has also created a heightened focus on risk and asset management, and SaskEnergy has developed specific risk identification protocol to ensure its assets are part of a consistent risk management strategy. In 2013, activities include increased facility assessment and remediation, enhanced system monitoring, and the adoption of risk-based annual system improvement programs.

While corporate efficiency and productivity gains have generated significant savings in recent years, future results in this area will be tied to SaskEnergy's ability to successfully adopt new technologies. These include technologies associated with the Corporation's Customer Information System project, the Advanced Metering Infrastructure project in collaboration with SaskPower, the Geographical Information Systems project and the Records and Information Management project.

OUR PEOPLE

Strategic Measure	2011 Actual	2012 Actual	2012 Target	2013 Target	2014 Forecast	2015 Forecast
Employee Engagement						
• Employee Survey[1]	-5%	-5%	At or above Hay Survey Norm	At or above Hay Survey Norm	At or above Hay Survey Norm	At or above Hay Survey Norm
Physical Safety[2]						
• Reportable Injury Rate	Fourth Quartile	Third Quartile	Second Quartile	Second Quartile	Second Quartile	Second Quartile
• Preventable Vehicle Collision Frequency Rates[3]	Second Quartile	Second Quartile	Top Quartile	–	–	–
Workplace Diversity						
• Youth	16.7%	18.7%	17.0%	17.0%	17.5%	18.0%
• First Nations/Métis	14.1%	14.0%	15.5%	15.5%	15.5%	16.0%

[1] The Hay Group benchmarks survey results to their "public sector norm" as defined by the survey results of approximately 50 Canadian public sector organizations including Crowns.
[2] Quartile refers to ranking relative to other Canadian Gas Association and Canadian Energy Pipeline Association companies.
[3] This measure has been discontinued for the 2013 Business Plan.

"Every day, SaskEnergy's top priority is to send each and every employee home safely."

Employee Engagement

SaskEnergy recognizes the importance of engaged employees to a successful organization, and was named one of Saskatchewan's Top 20 Employers in 2012. To gauge employee engagement levels, the Corporation participates in the Hay Group Survey every two years to benchmark employee opinions against other North American companies. The survey provides an avenue to gather anonymous employee feedback to help SaskEnergy continue to strengthen the Corporation's positive, energized culture.

While the overall results placed the company five percentage points below the overall Hay Norm of public sector companies, reflecting the volume of change employees are experiencing, a vast majority of employees continue to take great pride in working for SaskEnergy (81 per cent), which is an extremely positive indicator.

Benchmarking/results are based on the 2011 employee survey. Throughout 2012, SaskEnergy continued to focus on addressing feedback from the survey and on building a strong supervisory team through the Leadership Network.

Physical Safety

Every day, SaskEnergy's top priority is to send each and every employee home safely. This strong commitment is reinforced through the Corporation's dedication to attaining high standards in its safety performance measures. SaskEnergy strives to place in the second quartile in its Total Recordable Injury Rate (TRIR) and in the first quartile in its Preventable Vehicle Collision Rate (PVCR), compared to its industry peers.

SaskEnergy's TRIR for 2012 improved to 2.91, from 3.24 in 2011, reflecting the Corporation's continued positive trend with respect to this key safety indicator, but it fell short of the industry comparison target. In 2012, the PVCR increased to 3.02, from 1.83 in 2011. SaskEnergy's Health, Safety & Employee Well-being department will conduct a detailed review of all incidents to determine possible root cause issues.

While the company did not meet its 2012 safety goals, finishing in the second quartile in PVCR and in the third quartile in TRIR, progress has been made and results were encouraging. Hazard Near Miss (HNM) reporting is a leading safety indicator for SaskEnergy, with more HNM reports meaning greater safety awareness. In 2012, employees submitted 1,266 HNM reports, and overall, 75 per cent of SaskEnergy employees completed at least one HNM report.

In 2012, SaskEnergy/TransGas conducted its 10th consecutive Safety Stand Down Week. This safety initiative is a designated time for Executive members, including the President and CEO, to visit various locations throughout the Corporation and talk about safety issues with all employees. This year's theme was the "Three P's of Safety — Personal, Process and Public Safety", and 32 sessions, facilitated by Executive members, were held at various locations throughout April.

Workplace Diversity

In alignment with the Crown Sector Priority of recognizing First Nations, Métis and youth through progressive and fair recruitment, achieving workplace diversity targets is a priority for SaskEnergy, as the Corporation strives to be reflective of Saskatchewan's population.

To help achieve representative workforce targets, SaskEnergy works together with many community-based organizations, including four Saskatchewan Tribal Councils, the Regina Open Door Society, Saskatchewan Independent Living Centre and the Saskatchewan Visible Minority Employees Association. SaskEnergy's partnership with the Saskatchewan Indian Institute of Technologies and the Dumont Technical Institute in the Aboriginal Trades Development Program remains a key initiative in the Corporation's diversity strategy.

At 14 per cent, SaskEnergy's workforce representation of Aboriginal employees remained strong in 2012. The company's generational workforce transition is reflected by the continued increase in the Youth category, which was at 18.7 per cent at year-end, an increase of two per cent from 2011.

"Managing the rate of turnover associated with economic growth, in-demand skills, and the demographics of the Saskatchewan workforce is a key element of SaskEnergy's workforce transition strategy."

Our People Outlook

Throughout its operations, SaskEnergy will maintain its commitment to employee and public safety. Augmenting the development of internal safety processes and programs, the Corporation will continue to partner with external organizations, including WorkSafe Saskatchewan, to develop and adopt industry-leading safety practices.

Managing the rate of turnover associated with economic growth, in-demand skills, and the demographics of the Saskatchewan workforce is a key element of SaskEnergy's workforce transition strategy. With up to 50 retirements projected each year through 2016, SaskEnergy will continue to pursue creative solutions for knowledge transfer, succession planning and staffing models.

For SaskEnergy to thrive in Saskatchewan's opportunity-rich business climate, the identification, development and retention of leaders, and the effective management of change across the company remains critical. To this end, the Corporation will continue its Leadership Development Program, collaborating with other Crown corporations to provide specific coaching and training to leaders at all levels. SaskEnergy will continue its efforts to accelerate development practices, and roll out an improved technical platform for internal training and development. An increased focus on performance and recognition will better enable the company to retain high-performing employees and increase engagement throughout the company. Corporate recognition practices and guidelines were updated in 2012 and recognition will remain a focus in 2013.

By aggressively pursuing efficiencies and process improvements, while using external resources for specific expertise, SaskEnergy has effectively managed significant growth activity while effectively managing employee numbers. In 2013, SaskEnergy will continue to leverage external resources effectively to address increasing activity levels in residential customer growth, capital spending by TransGas to satisfy increased load growth, and heightened system integrity efforts.

STAKEHOLDER ENGAGEMENT

Strong two-way communications models support the achievement of business and corporate results at SaskEnergy. The Corporation is committed to rigorous and professional communications practices that support the principles of timeliness, openness and transparency with its stakeholder.

Details on SaskEnergy's stakeholder engagement practices, as they pertain to Customer and Public Communications, Shareholder Communications, Project-based Communications, Regulatory Communications, and Employee Communications, respectively, are available on the SaskEnergy website: saskenergy.com/about_saskenergy/annual_report/documents/2012/Stakeholder_Engagement.pdf.

RISK MANAGEMENT

The transmission, storage, distribution and sale of natural gas are subject to a number of risks that can affect SaskEnergy's success in achieving its business objectives. The Corporation cannot seek to eliminate risk, but rather ensures existing and emerging risks are identified, communicated and effectively managed through its Enterprise Risk Management (ERM) Policy. The ERM Policy establishes roles and responsibilities, as well as a general strategy for the Corporation to manage its risks. The Corporation identifies and manages its risks in support of its vision, mission and goals as set out in the Strategic Plan and throughout its operations.

Risk management is the responsibility of all levels of management in the Corporation; however, the Board of Directors and Executive Committee set the tone for ERM. The Executive Committee is responsible for formally identifying strategic risks that impact the Corporation's goals, actively participating in the risk assessment process and developing strategic risk management plans. The Board of Directors is responsible for the Corporation's risk management policy and framework. The Board executes its role in the risk management process by reviewing an annual report prepared by the Executive Committee that identifies the top corporate-wide risks, along with the processes and controls in place to manage and monitor each risk and designated control owner(s). The results of this annual risk assessment process are discussed below.

Pipeline, Facility and Operational Failure

Pipeline, facility and operational failure could disrupt the effective operation of SaskEnergy's natural gas storage, distribution and transmission infrastructure, negatively impacting public safety, the environment and customers. Operational hazards include severe weather conditions, fire, human error, mechanical failures, third-party pipeline encroachment, hazardous materials and acts of civil disobedience and sabotage. The occurrence of any of these events, many of which are outside the control of the Corporation, could impact financial results through increased operating costs and/or reduced revenues. Some of the primary processes used to mitigate the Corporation's pipeline, facility and operational risk include system integrity, public awareness and safety programs; employee and operator training; environmental policies and procedures. The financial impacts of these risks are also mitigated, where possible and appropriate, through insurance.

Infrastructure Delivery

In recent years, economic growth has put pressure on the Corporation's capacity to deliver services and infrastructure on a timely basis to meet stakeholder and customer expectations. To reduce the risk on delivery of services and infrastructure, the Corporation has focused on building relationships with key industry associations, project execution processes and project management, tendering practices and advanced planning and preliminary design. SaskEnergy also has cost containment strategies to ensure that rising construction and maintenance costs do not significantly exceed the growth of the distribution and transmission systems. The Corporation has policies requiring new customers to contribute to the cost of service connections to ensure that existing customers are not unduly affected by the addition of new customers.

Interest Groups

SaskEnergy is exposed to the risk of higher costs, delays or even project cancellations due to pressure by landowners and other interest groups. In recent years, the ability of landowners and interest groups to make claims and oppose projects in regulatory and legal forums has increased. This "not in my back yard" philosophy could impact the Corporation's ability not only to develop new facilities, through delays and additional costs, but also to operate existing facilities. Through various programs and strategies, including stakeholder engagement, aboriginal consultation, environmental assessments and public awareness, SaskEnergy works proactively with landowners and other interest groups to identify and develop appropriate responses to concerns regarding expansion and development of infrastructure.

Declining Saskatchewan Production

In recent years, Saskatchewan has become a net importer of natural gas due to declining natural gas production within the Province, an outcome of low natural gas prices, and increasing natural gas demand related to a growing provincial economy. Transitioning from a net natural gas exporter to a net natural gas importer has added complexity and increased costs for the transmission system to ensure that supply is available when and where needed. TransGas manages this risk through the business planning process, supply and demand forecasting and stakeholder consultation with existing and potential large customers. For the Distribution Utility this also adds complexity from a supply planning perspective that is managed through its gas procurement strategy.

External Resource Management

Strong economic growth in the Province may result in a shortage of resources or expertise that could adversely affect the Corporation's ability to secure effective external resources. This could impact the execution of key projects or business strategy, leading to delays and cost overruns. As part of the Strategic Plan, SaskEnergy prioritizes activities in advance to ensure that resources are available when required. The Corporation then develops partnership agreements and long-term contracts, thereby reducing the risk of resource shortages on critical projects. In addition, the New West Partnership and modifications to the tendering process have further assisted the Corporation in meeting its external resource requirements.

"...SaskEnergy accumulates differences between the cost of gas sold and its rate in a GCVA, which may be recovered from or refunded to customers in subsequent periods."

Integrated Information Systems

The Corporation's information systems are becoming increasingly integrated throughout operations, increasing the risk that a failure in one system could lead to a failure in another system, impacting the Corporation's ability to meet operational requirements. The Corporation mitigates this risk through its project prioritization process and project management methodology related to system development. The Corporation also has up-to-date business continuity and disaster recovery plans for critical operations as well as information technology processes.

Regulatory Importance

The Corporation's delivery and transportation rates are approved by the Provincial Cabinet. For distribution rates, the SRRP reviews the Corporation's rate proposal and makes recommendations to the Provincial Cabinet. For transportation rates, the Corporation seeks customer input on rates through the Customer Dialogue process before submitting its rate proposal to the Provincial Cabinet. The ability of the Corporation to obtain required rate changes through these processes directly affects financial results. The Corporation mitigates this regulatory importance by following standard regulatory principles in designing rates and operating its system and presents these practices in its rate applications. In addition, the Corporation demonstrates its commitment to controlling costs and improving service levels in every aspect of its operations, thereby enabling relative rate stability.

Natural Gas Prices

SaskEnergy's exposure to natural gas price risk occurs primarily because the Corporation purchases natural gas at variable market prices and resells it to distribution customers at fixed rates. The risk of natural gas costs rising above the rate at which the natural gas is sold to distribution customers is mitigated through SaskEnergy's natural gas price risk management strategy. Also, SaskEnergy accumulates differences between the cost of gas sold and its rate in a GCVA, which may be recovered from or refunded to customers in subsequent periods.

SaskEnergy also engages in the purchase and sale of natural gas as part of its gas marketing activities, and these activities may be exposed to the risks associated with price movement, volume constraints and other market conditions. The risks inherent with gas marketing activities are managed under the control framework and principles established in the Commodity Risk Management Policy. This policy sets various exposure, price and volume limits to minimize the likelihood that adverse fluctuations arising from movements in natural gas prices will exceed a defined tolerance. Risk metrics, activity levels, and associated limits are measured and reported.

Attraction and Retention of Skilled Employees

With Saskatchewan's rapidly growing economy, competition to attract and retain skilled employees has increased. This risk is compounded by the significant number of the Corporation's employees who will be eligible to retire over the next five years. SaskEnergy's ability to attract and retain a sufficient number of appropriately skilled, diverse and motivated people will affect its ability to execute its Business Plan. SaskEnergy manages this risk through its recruitment, hiring and training processes. The Corporation also conducts a quarterly succession planning assessment and utilizes a cross training strategy. In addition, SaskEnergy monitors, and adjusts when appropriate, compensation and benefits as part of the job evaluation process, utilizing industry comparisons.

"SaskEnergy monitors the impact of weather on financial results and has diversified its revenue sources through, among other efforts, gas marketing."

Winter Weather

In Saskatchewan, variability in winter weather temperature has a direct impact on the volume of natural gas consumed by distribution customers. SaskEnergy monitors the impact of weather on financial results and has diversified its revenue sources through, among other efforts, gas marketing. Over the past several years, the Corporation has increased the portion of revenue earned through a fixed basic monthly charge, which is not affected by weather-driven consumption.

The Corporation is also subject to risks specifically related to financial instruments that, depending on the significance, may not have been discussed above. Risks specific to financial instruments are discussed in Note 9 of the consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Corporation prepares its consolidated financial statements in accordance with IFRS, using the accounting policies described in Note 3 of the consolidated financial statements. The application of these accounting policies requires management to make a number of judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. These judgments, estimates and assumptions, which are based on historical experience and other factors that are considered relevant, are reviewed on an ongoing basis. The Corporation's critical accounting policies and estimates have been summarized below.

Net Realizable Value of Natural Gas in Storage

The Corporation's natural gas in storage is valued at the lower of cost and net realizable value. To determine the net realizable value, the Corporation uses quoted future market prices based on anticipated delivery dates. When determining delivery dates, the Corporation considers its natural gas contracts, ability to withdraw natural gas from storage and management's intention. At year end, the revaluation of natural gas in storage was $24 million, a decrease of $21 million from the prior year. A $0.25 per GJ change in the net realizable value would have increased/decreased the revaluation of natural gas in storage by $16 million.

Fair Value of Derivative Instruments

The Corporation uses various natural gas derivative instruments to secure its supply of natural gas and manage the impact of natural gas price variability. Prior to settlement, SaskEnergy records all natural gas derivative instruments at fair value. The fair value of derivative instruments is determined using quoted market prices and may be adjusted for the credit quality of counterparties. Given fluctuations in natural gas prices, fair value adjustments vary throughout the length of the contract. At year end, a $1.00 per GJ change in natural gas prices would have increased/decreased the fair value adjustment by $36 million.

Depreciation and Amortization

With a combined carrying amount of $1,538 million, property, plant and equipment and intangible assets constitute a significant component of the Corporation's assets. As a result, changes in assumptions related to the calculation of depreciation and amortization expense may have a significant impact on SaskEnergy's net income. The Corporation's property, plant and equipment and intangible assets are depreciated/amortized on a straight-line basis over the estimated service life of the asset. The estimated service lives are based on extensive studies with annual reviews for reasonability. Any changes in the estimated service life of an asset are treated as prospective adjustments to depreciation and amortization.

Employee Future Benefits

For the Corporation's pension plans, its obligation is limited to making contributions for employees' current service. However, the Corporation also has an unfunded defined benefit retiring allowance plan, of which the accrued benefit liability is actuarially determined annually using the projected benefit method. The actuarial calculation depends on a number of assumptions, including wage and salary escalation, age at retirement and discount rates. Market interest rates are used to measure the accrued benefit obligation. At December 31, 2012 an independent actuary estimated the accrued benefit obligation to be $12 million, a decrease of $1 million from the prior year.

Provisions

The Corporation determines its obligations, legal and constructive, for the future costs of decommissioning certain natural gas facilities by estimating both the associated costs and timing of the necessary cash flows. The timing of future decommissioning is conditional upon the Corporation's anticipated ongoing use for these facilities, while future decommissioning costs are estimated based on the Corporation's experience and presented on a discounted basis. At year end, the Corporation's provisions were estimated at $18 million, $1 million above the prior year due to a $3 million increase in the anticipated undiscounted cash flows required to settle these obligations.

Unbilled Revenue

Commodity sales and delivery revenues are recognized when natural gas is delivered to customers. SaskEnergy estimates the volume of natural gas delivered but not billed, as it is impracticable to read all customer meters on December 31 of each year. The volume of unbilled sales is determined by comparing the estimated total volume of natural gas delivered to the distribution system to the volume of natural gas billed to customers. Regular meter readings throughout the year are used to reconcile volumes purchased with volumes billed. At year end, the unbilled revenue related to commodity sales and delivery revenue was $53 million.

Unearned Customer Capital Contributions

Customer capital contributions, related to the construction of new, customer-specific service connections, are recognized as deferred revenue until the related property, plant and equipment are available for use. The Corporation's customer capital contributions, particularly those related to the transmission system, are often subject to refunds over a certain period. Consequently, when the related property, plant and equipment is available for use, an estimate of the potential refund remains in deferred revenue until the refund period has passed. At year end, the Corporation estimated $41 million in customer capital contributions could be refunded in future periods.

FUTURE ACCOUNTING CHANGES

The International Accounting Standards Board (IASB) has issued several new and amended standards that will become effective in future periods. While the Corporation continues to review these standards, no material impacts on the Corporation's financial statements have been identified. Below is a brief discussion of the new and amended standards which, unless otherwise noted, are effective for annual periods beginning on or after January 1, 2013.

IFRS 9 *Financial Instruments* reduces measurement classification of financial assets to one of two categories: amortized cost or fair value. The classification is based on an entity's business model for managing the asset and the contractual cash flow characteristics of the asset. This standard is effective for annual periods beginning on or after January 1, 2015. SaskEnergy is continuing to review this standard and has not yet determined the impact on the financial statements.

IFRS 10 *Consolidated Financial Statements* requires consolidation of all investees controlled by an entity. The standard defines control as existing when an entity has power over the investee, is exposed to variable returns from the investee and has the ability to exercise its power to affect the returns. SaskEnergy does not anticipate any impact from adoption of this standard as the Corporation wholly owns all of its subsidiaries and, therefore, control is not in question.

IFRS 11 *Joint Arrangements* identifies two distinct types of joint arrangements: joint operations and joint ventures. A joint operation is identified where a share of the individual assets and responsibility for a share of the individual liabilities is attributable to each operator. A joint venture exists when the joint arrangement itself directly owns the assets and is fully responsible for the liabilities of the venture. In this instance, each partner in the joint venture accounts for its investment using the equity method and separately reports its investment in the venture, as well as its share of the net earnings. Under current IFRS, the Corporation's interests in joint ventures are in the form of jointly controlled assets, and the Corporation's share of the jointly controlled assets, liabilities, revenue and expenses are included in its financial statements. Under IFRS 11, the Corporation will classify both interests as joint operations because neither joint arrangement occurs in a separate vehicle. Accounting for joint operations is relatively similar to the Corporation's current accounting treatment; therefore, SaskEnergy does not anticipate a significant impact from adoption of this standard.

IFRS 12 *Disclosure of Interests in Other Entities* provides disclosure requirements for the reporting of all forms of interests in other entities. The required disclosures focus on providing an evaluation of the nature, risks and financial impacts of an entity's interests in subsidiaries, associates and joint arrangements. The Corporation anticipates some minor additional disclosure surrounding its determination of joint control and the type of joint arrangements.

IFRS 13 *Fair Value Measurement* establishes a single IFRS framework for measuring fair value and provides the related disclosure requirements. IFRS 13 applies to both financial and non-financial items when other standards require or permit fair value measurements — this section does not impact whether an item is measured at fair value. IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a fair value hierarchy. Currently, the Corporation is only required to measure certain financial instruments at fair value, specifically debt retirement funds and derivative instruments, and uses Level 2 inputs of the fair value hierarchy. Since the most significant impact of IFRS 13 relates to items that use Level 3 inputs of the fair value hierarchy, the Corporation does not anticipate an impact other than some additional note disclosure.

IAS 19 *Employee Benefits* has been amended in relation to defined benefit plans to discontinue the ability to defer recognition of gains and losses (the "corridor approach"), streamline the presentation of changes in assets and liabilities and enhance disclosure requirements. IAS 19 requires that service costs and net interest expense be recognized in net income, while remeasurement of the defined benefit liability be recognized in other comprehensive income. SaskEnergy currently recognizes all changes in its defined benefit plan, the Retiring Allowance Plan, immediately in net income. Under the amended IAS 19, the Corporation will recognize any actuarial gains and losses in other comprehensive income, and these amounts will not be reclassified to net income in subsequent periods. The Corporation will transfer any actuarial gain or loss from other equity to retained earnings in the year it is recognized in other comprehensive income. While this does have an impact on the Corporation, any actuarial gains and losses are relatively insignificant given the size of the Retiring Allowance Plan obligation. Upon adoption of this section, the Corporation will restate 2012 net income to remove a $1 million actuarial loss from employee benefits that will then be recognized in other comprehensive income.

IAS 27 *Separate Financial Statements* has been amended to remove the requirements relating to consolidated financial statements due to the issuance of IFRS 10. Requirements from IAS 28 and IAS 31 were transferred to this section to create a single standard to deal with separate financial statements. As the Corporation prepares consolidated financial statements, it does not anticipate any impact from adoption of this standard.

IAS 28 *Investments in Associates and Joint Ventures* has been amended to incorporate the accounting for joint ventures because the equity method is now applicable to both joint ventures and associates. SaskEnergy does not have any investments in associates, and its joint arrangements are classified as joint operations rather than joint ventures. As a result the amendments to this section will have no impact on the Corporation.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Financial Reporting

The accompanying consolidated financial statements are the responsibility of the management of SaskEnergy. They have been prepared in accordance with IFRS, using management's best estimates and judgments where appropriate. Management is responsible for the reliability and integrity of the consolidated financial statements, the notes to the financial statements and all other financial information contained in this annual report.

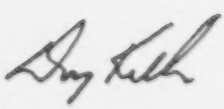
The Corporation's Board of Directors (the Board) is responsible for ensuring that management fulfills its responsibilities for financial reporting and control. The Board is assisted in exercising its responsibility through its Audit and Finance Committee (the Committee). The Committee is composed of directors who are not employees of the Corporation. The Committee reviews the annual report and meets regularly with management, internal audit and external auditors to discuss internal controls, accounting, auditing and financial matters. The Committee recommends the appointment of the external auditors. The Committee reports its findings to the Board for its consideration in approving the consolidated financial statements.

Internal Control over Financial Reporting

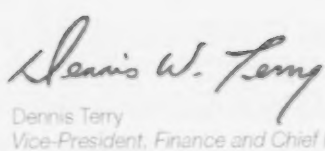
Management is also responsible for establishing and maintaining a system of internal controls, policies and procedures designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial statements. The internal control system includes an internal audit function and an established code of conduct.

Management assessed the effectiveness of the Corporation's internal control over financial reporting as at December 31, 2012, based on the framework established in Internal Control — Integrated Framework issued by the Committee of Sponsoring organizations of the Treadway Commission. Based on this assessment, management concluded that the company maintained effective control over financial reporting and that there were no material weaknesses in internal controls over financial reporting as at December 31, 2012.

The consolidated financial statements have been audited by Deloitte LLP, Chartered Accountants, as appointed by the Lieutenant Governor in Council and approved by CIC. The Auditor's Report expresses their opinions on the fairness of the financial statements prepared by management.



Doug Kelln
President and Chief Executive Officer



Dennis Terry
Vice-President, Finance and Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying consolidated financial statements of SaskEnergy Incorporated and its subsidiaries which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SaskEnergy Incorporated and its subsidiaries as at December 31, 2012, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Accountants

March 1, 2013
Regina, Saskatchewan

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

(millions)	Notes	2012	2011
Assets			
Current assets			
Cash		$ 2	$ 21
Trade and other receivables	5	119	103
Natural gas in storage held for resale	6	238	214
Inventory of supplies	7	11	10
Debt retirement funds	8	2	6
Fair value of derivative instruments	9	53	78
		425	432
Intangible assets	10	37	30
Property, plant and equipment	11	1,501	1,395
Debt retirement funds	8	74	67
		$ 2,037	$ 1,924
Liabilities and Province's equity			
Current liabilities			
Short-term debt	12	$ 275	$ 314
Trade and other payables	13	105	101
Dividends payable		11	9
Current portion of long-term debt	14	50	50
Deferred revenue	15	41	32
Fair value of derivative instruments	9	58	98
		540	604
Employee future benefits	16	12	13
Provisions	17	18	17
Deferred revenue	15	9	9
Long-term debt	14	762	665
		1,341	1,308
Province's equity			
Equity advances	18	72	72
Retained earnings		624	544
		696	616
		$ 2,037	$ 1,924

(See accompanying notes)

On behalf of the Board:

Director

Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31

		2012			2011		
(millions)	Notes	Income before Unrealized Market Value Adjustments	Unrealized Market Value Adjustments (Note 20)	Total	Income before Unrealized Market Value Adjustments	Unrealized Market Value Adjustments (Note 20)	Total
Revenue							
Natural gas sales	21	$ 510	$ (32)	$ 478	$ 569	$ 2	$ 571
Delivery		194	–	194	187	–	187
Transportation and storage		85	–	85	77	–	77
Customer capital contributions	15	29	–	29	43	–	43
Other	22	12	–	12	12	–	12
		830	(32)	798	888	2	890
Expenses							
Natural gas purchases (net of change in inventory)	21	465	(68)	397	518	62	580
Employee benefits		85	–	85	82	–	82
Operating and maintenance		85	–	85	83	–	83
Depreciation and amortization	24	73	–	73	68	–	68
Saskatchewan taxes	25	10	–	10	10	–	10
		718	(68)	650	761	62	823
Net income before the following		112	36	148	127	(60)	67
Finance income	26	5	(2)	3	5	2	7
Finance expenses	26	(44)	–	(44)	(40)	–	(40)
Net finance expenses	26	(39)	(2)	(41)	(35)	2	(33)
Loss on sale of investments in associates		–	–	–	(8)	–	(8)
Net income and total comprehensive income		$ 73	$ 34	$ 107	$ 84	$ (58)	$ 26

(See accompanying notes)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended December 31

(millions)	Retained Earnings	Equity Advances	Total
Balance as at January 1, 2011	$ 557	$ 72	$ 629
Total comprehensive income	26	–	26
Dividends	(39)	–	(39)
Balance as at December 31, 2011	544	72	616
Total comprehensive income	107	–	107
Dividends	(27)	–	(27)
Balance as at December 31, 2012	$ 624	$ 72	$ 696

(See accompanying notes)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31

(millions)	Notes	2012	2011
Operating activities			
Net income		$ 107	$ 26
Add (deduct) items not requiring an outlay of cash			
Employee future benefits paid in excess of expense	16	(1)	–
Net change in fair value of derivative instrument assets and liabilities	20	(15)	36
Change in revaluation of natural gas in storage to net realizable value	20	(21)	24
Depreciation and amortization	24	73	68
Net finance expenses	26	41	33
Loss on sale of investments in associates		–	8
		184	195
Net change in non-cash working capital related to operations	27	(12)	–
Cash provided by operating activities		172	195
Investing activities			
Additions to intangible assets		(11)	(13)
Additions to property, plant and equipment		(170)	(159)
Net proceeds on sale of investments in associates		–	22
Cash used in investing activities		(181)	(150)
Financing activities			
Debt retirement funds redemptions	8	7	–
Debt retirement funds installments	8	(7)	(7)
(Decrease) increase in short-term debt		(39)	75
Proceeds of long-term debt		147	–
Repayments of long-term debt		(50)	–
Interest paid		(43)	(41)
Dividends paid		(25)	(52)
Cash used in financing activities		(10)	(25)
(Decrease) increase in cash and cash equivalents		(19)	20
Cash and cash equivalents, beginning of year		21	1
Cash and cash equivalents, end of year		$ 2	$ 21

(See accompanying notes)

1. General information

SaskEnergy Incorporated (SaskEnergy or the Corporation) is a Saskatchewan provincially owned Crown corporation operating under authority of *The SaskEnergy Act*. The address of SaskEnergy's registered office and principal place of business is 1777 Victoria Avenue, Regina, Saskatchewan, Canada S4P 4K5. The Corporation owns and operates natural gas-related businesses located both within and outside Saskatchewan.

By virtue of *The Crown Corporations Act, 1993*, SaskEnergy has been designated as a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a Saskatchewan provincial Crown corporation. Accordingly, the financial results of SaskEnergy are included in the consolidated financial statements of CIC. As a provincial Crown corporation, SaskEnergy and its wholly owned subsidiaries are not subject to Federal or Provincial income taxes in Canada.

2. Basis of preparation

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorized for issue by the Board of Directors on March 1, 2013.

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except where otherwise noted.

c. Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, the Corporation's functional currency, unless otherwise stated. All financial information presented in Canadian dollars has been rounded to the nearest million.

d. Use of estimates and judgments

In the application of the Corporation's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised as well as any future periods affected.

Information about critical judgments in applying accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements is included in Note 3 as well as the following notes:

Revenue recognition related to unbilled revenue (Note 5)
Existence of decommissioning liabilities (Note 17)

Information about significant management estimates and assumptions that have a significant risk of resulting in a material adjustment is included in Note 3 as well as the following notes:

Estimated unbilled revenue (Note 5)
Net realizable value of natural gas in storage held for resale (Note 6)
Fair value of financial and derivative instruments (Note 9)
Useful lives and amortization rates for intangible assets (Note 10)
Useful lives and depreciation rates for property, plant and equipment (Note 11)
Estimated unearned customer capital contributions (Note 15)
Employee future benefits and underlying actuarial assumptions (Note 16)
Estimated future cost of decommissioning liabilities (Note 17)

3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently by the Corporation and its subsidiaries to all periods presented in the consolidated financial statements.

a. Basis of consolidation

Subsidiaries are entities controlled by SaskEnergy. The results of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. All intra-group balances and transactions are eliminated in preparing the consolidated financial statements.

The Corporation's consolidated financial statements include the accounts of SaskEnergy and its direct and indirect wholly owned subsidiaries: Bayhurst Gas Limited, Bayhurst Energy Services Corporation, BG Storage Inc., Many Islands Pipe Lines (Canada) Limited, Saskatchewan First Call Corporation, Swan Valley Gas Corporation and TransGas Limited.

b. Interest in joint ventures

The Corporation's interests in joint ventures are in the form of jointly controlled assets which involves the joint control of one or more assets acquired for and dedicated to the purpose of a joint venture. The consolidated financial statements include the Corporation's share of the jointly controlled assets, incurred liabilities, revenue and expenses as well as any liabilities and expenses that the Corporation has incurred directly in respect of its 50% interests in the Kisbey Gas Gathering and Processing Facility and the Totnes Natural Gas Storage Facility.

c. Cash and cash equivalents

The Corporation does not hold any short-term investments that would be classified as cash equivalents.

Bank indebtedness forms a part of the Corporation's cash management and is included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

d. Natural gas in storage

Natural gas in storage is stated at the lower of weighted average cost and net realizable value. Net realizable value is determined using natural gas market prices based on anticipated delivery dates.

e. Inventories of supplies

Inventories of supplies consist primarily of pipe and general stock for construction and maintenance and are stated at the lower of weighted average cost and net realizable value. Replacement value is used as management's best estimate of net realizable value.

f. Debt retirement funds

Under conditions attached to certain advances from the Province of Saskatchewan's General Revenue Fund, the Corporation is required, on an annual basis, to invest an amount equal to one per cent of the related outstanding debt. These investments are referred to as debt retirement funds and are administered by Saskatchewan's Ministry of Finance. Debt retirement funds are designated as at fair value through profit or loss and are recorded at fair value in the consolidated statement of financial position. The investment is returned to the Corporation upon maturity of the related debt.

g. Assets held for sale

Assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell, with any resulting impairment loss recognized in operating and maintenance expense.

h. Financial and derivative instruments

The Corporation classifies its financial instruments into one of the following categories: financial assets and financial liabilities at fair value through profit or loss, held-to-maturity, loans and receivables, available-for-sale and other liabilities.

3. Summary of significant accounting policies (continued)

All financial instruments are measured at fair value on initial recognition. Transaction costs are included in the initial carrying amount of financial instruments, except for financial assets and financial liabilities at fair value through profit or loss, in which case the transaction costs are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

i. Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities are classified as at fair value through profit or loss if they are held for trading or designated as such upon initial recognition. A financial asset or financial liability is classified as held for trading if it has been acquired with the intention of generating profits in the near term, is part of a portfolio of financial instruments that are managed together where there is evidence of a recent pattern of short-term profit taking or is a derivative. A financial asset or financial liability is designated as at fair value through profit or loss if the Corporation manages such instruments and makes decisions based on their fair value in accordance with the Corporation's documented risk management or investment strategy. The Corporation has designated debt retirement funds as at fair value through profit or loss. Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value with any revaluation gains and losses recognized in finance income.

ii. Held-to-maturity financial assets

Financial assets classified as held-to-maturity have fixed or determinable payments and a fixed maturity, and the Corporation has the positive intention and ability to hold these financial assets to maturity. These financial assets are accounted for at amortized cost using the effective interest method. Amortized premiums or discounts and losses due to impairment are included in finance expense.

iii. Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are accounted for at amortized cost using the effective interest method.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and are not classified in any of the previous categories. In cases where financial assets are classified as available-for-sale and carried at fair value, revaluation gains and losses related to changes in fair value are recorded in other comprehensive income until the asset is disposed of, at which time those gains and losses are recognized separately in the consolidated statement of comprehensive income.

v. Other liabilities

Other liabilities are non-derivative financial liabilities that are not designated as at fair value through profit or loss. These financial liabilities are accounted for at amortized cost using the effective interest method.

vi. Derivative instruments

The Corporation utilizes a variety of derivative instruments to manage its exposure to natural gas price risk. Derivative instruments are recorded at fair value within current assets or current liabilities, as applicable, commencing on the trade date. The change in the fair value is recorded in net income and classified within the revenue or expense category to which it relates.

Derivatives may be embedded in other host instruments. Embedded derivatives are treated as separate derivatives when the economic characteristics and risks are not closely related to those of the host instrument, the embedded derivative has the same terms as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with subsequent changes recognized in net income and classified within the revenue or expense category to which it relates. The Corporation utilizes natural gas sales contracts with embedded derivatives for non-regulated contract sales to large end-use customers.

3. Summary of significant accounting policies (continued)

vii. Fair value of financial and derivative instruments

In measuring fair value, the Corporation classifies its financial and derivative instruments according to the following fair value hierarchy based on the amount of observable inputs:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as at the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices included within Level 1. Prices in Level 2 are either directly or indirectly observable as at the reported date. Level 2 valuations are based on inputs, including quoted forward market prices, time value, volatility factors and broker quotations which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs that are less observable, unavailable or where the observable data does not support the majority of the instrument's fair value.

For derivative instruments, the fair value is discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the instrument. The fair values also include adjustments to account for the credit risk of the Corporation and counterparty when appropriate.

i. Intangible assets

Intangible assets are recorded at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are capitalized if it is probable that the asset acquired or developed will generate future economic benefits. The costs incurred to establish technological feasibility or to maintain existing levels of performance are recognized in operating and maintenance expense as incurred.

Cost includes expenditures that are directly attributable to the acquisition or development of the asset. The cost of self-developed assets includes materials, services, direct labour and directly attributable overheads. Borrowing costs associated with major projects are capitalized during the development period. Major projects (or qualifying assets) are those projects that are under development for a period greater than six months. Assets under development are recorded as in progress until they are available for use.

Amortization is based on the cost of the asset less its residual value and is calculated using the straight-line method over the estimated useful life of the asset from the date the asset is available for use. The amortization rates range from 10.0 to 20.0% annually. The estimated useful lives, residual values and method of amortization are reviewed annually for reasonableness.

j. Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. The cost of major inspections or overhauls is capitalized. The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the specific item if it is probable that the part will generate future economic benefits, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of property, plant and equipment is recognized in operating and maintenance expense as incurred.

Cost includes expenditures that are directly attributable to the acquisition or construction of the asset. The cost of self-constructed assets includes materials, services, direct labour and directly attributable overheads. Borrowing costs associated with major projects are capitalized during the construction period. Major projects (or qualifying assets) are those projects that are under construction for a period greater than six months. Assets under construction are recorded as in progress until they are available for use.

When property, plant and equipment is disposed of or retired, the related cost, accumulated depreciation and any accumulated impairment losses are eliminated. Any resulting gains or losses are reflected in operating and maintenance expense in the period the asset is disposed of or retired.

3. Summary of significant accounting policies (continued)

Depreciation is based on the cost of the asset less its residual value and is calculated using the straight-line method over the estimated useful life of the asset from the date the asset is available for use at the following annual rates (per cent):

Distribution	2.1 to 4.0
Transmission and storage	2.5 to 9.0
Gathering, treatment and compression	2.5 to 12.2
Vehicles, equipment and other	2.5 to 16.4
Computer hardware	20.0 to 33.3

The estimated useful lives, residual values and method of depreciation are based on depreciation studies with annual reviews for reasonableness.

k. Impairment

i. Financial assets

Financial assets, other than those classified as at fair value through profit or loss, are reviewed at each reporting date to determine whether there is any indication of impairment. Financial assets are impaired when there is objective evidence that the estimated future cash flows have been affected. Objective evidence of impairment could include significant financial difficulty, default or delinquency or indication of bankruptcy or financial reorganization of a counterparty.

The Corporation considers evidence of impairment for trade and other receivables on both an individual and a collective basis. In assessing collective impairment, the Corporation uses historical trends of the likelihood of default, timing of recoveries and the amount of losses incurred, adjusted for management's judgment as to the impact of current economic and credit conditions.

The carrying amount of trade and other receivables is reduced through the use of an allowance account. Once reasonable collection efforts have been exhausted, and a trade and other receivable balance is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized immediately in operating and maintenance expense.

ii. Non-financial assets

At each reporting date, the Corporation reviews the carrying amount of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. Assets that cannot be tested individually, including corporate assets, are grouped together into cash-generating units (CGUs), the smallest group of assets that generates cash inflow from continuing use.

The recoverable amount of an asset or CGU is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount, and an impairment loss is recognized immediately in operating and maintenance expense.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the carrying amount of the asset or CGU does not exceed the carrying amount that would have been determined, net of amortization or depreciation, if no impairment loss had been recognized.

l. Government grants

Government grants are recognized initially as deferred revenue when there is reasonable assurance that the Corporation will comply with the relevant conditions of the grant and the grant will be received. Grants that compensate the Corporation for expenses incurred are recognized in other revenue in the same period the related expenses are recognized. Grants that compensate the Corporation for the cost of an asset are recognized in other revenue on a straight-line basis over the estimated useful life of the asset.

3. Summary of significant accounting policies (continued)

m. **Employee benefits**

i. **Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

ii. **Pension plans**

The Corporation provides pension plans for all eligible employees through its participation in both a defined contribution plan and a group administration defined benefit plan. For the defined benefit plan, a contractual agreement is in place stating that the Corporation's future contributions to the plan will not take into account any plan surplus or deficiency, as the Corporation does not have any rights to plan surpluses or obligations for plan deficits. As a result, under both plans the Corporation's obligations are limited to making regular payments to the plans for current service. When made, these contributions are recognized in employee benefits expense.

iii. **Retiring allowance plan**

Certain employees of the Corporation are members of a retiring allowance plan. The Corporation's obligation is the amount of future benefit that employees have earned in return for their service in the current and prior periods. At each year end, the future benefit is actuarially determined using the projected benefit method. Any actuarial gains or losses are recognized in employee benefits expense.

The Corporation has not established a trust nor does it hold property for the specific purpose of providing benefits to the participants of the plan. Benefits are funded by the current operations of the Corporation.

n. **Provisions**

Provisions are recognized when the Corporation has a present obligation, legal or constructive, as a result of a past event, it is probable that the Corporation will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The Corporation's provisions are decommissioning liabilities. A decommissioning liability is a legal or constructive obligation associated with the decommissioning of certain natural gas facilities. The Corporation recognizes a decommissioning liability, with a corresponding increase to property, plant and equipment, in the period the facility is commissioned, provided a reasonable estimate of fair value can be determined. The estimated fair value of a decommissioning liability is based on detailed studies that take into account various assumptions regarding the anticipated future cash flows, including the method and timing of decommissioning. The Corporation discounts the future cash flows at a credit-adjusted risk free rate based on the yield of Government of Canada bonds. The unwinding of the discount on provisions is recognized in net income as finance expense over the estimated time period until settlement of the obligation. The corresponding increase to property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of the related asset. At each reporting date, the estimated fair value of a decommissioning liability is reviewed with any changes recognized in the consolidated financial statements.

o. **Revenue**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized when it is probable that future economic benefits will flow to the Corporation and these benefits can be measured reliably.

i. **Natural gas sales and delivery revenue**

Revenue is recognized when natural gas is delivered to the customer. An estimate of natural gas delivered but not billed is included in revenue.

ii. **Transportation and storage revenue**

Revenue is recognized when transportation, storage and related services are provided to the customer. An estimate of transportation, storage and related services rendered but not billed is included in revenue.

3. Summary of significant accounting policies (continued)

iii. **Customer capital contribution revenue**

The Corporation obtains customer capital contributions related to the construction of new service connections. Customer capital contributions are recognized initially as deferred revenue and are recognized as revenue once the related property, plant and equipment is available for use. The Corporation's customer capital contributions are often subject to refunds over a specified period. An estimate of these refunds remains in deferred revenue until the eligible refund period expires.

iv. **Revenue collected for municipalities**

In accordance with *The SaskEnergy Act*, the Corporation is required to collect amounts on behalf of certain municipalities. The Corporation acts in the capacity of an agent rather than as the principal in the collection of these amounts. Therefore, the revenue collected for and paid to municipalities is recognized on a net basis in operating and maintenance expense.

v. **Other revenue**

Royalty revenue is recognized when natural gas from wells subject to royalty agreements is delivered to the customer. Natural gas and liquid sales are recognized when natural gas and natural gas liquids are delivered to the customer.

p. **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or development of a qualifying asset are added to the cost of that asset, until it is available for use. Qualifying assets are those assets that take a substantial period of time to get ready for their intended use. As the Corporation borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Corporation capitalizes borrowing costs by applying its weighted average cost of debt. All other borrowing costs are recognized in finance expense in the period in which they are incurred.

q. **Leased assets**

The Corporation's leased assets are under operating leases. As the Corporation does not assume all risks and rewards of ownership, the leased assets are not recognized in the Corporation's consolidated statement of financial position. Lease payments are recognized in operating and maintenance expense in the period in which they are incurred.

r. **New standards and interpretations not yet adopted**

A number of new standards, and amendments to standards and interpretations, are not yet effective and have not been applied in preparing these consolidated financial statements. In particular, the following new and amended standards become effective for annual periods beginning on or after January 1, 2013:

IFRS 9 *Financial Instruments* – Introduces a new single classification and measurement model for financial assets and liabilities. The new model includes only two classifications, amortized cost and fair value. The classification depends on the entity's business model and the cash flow characteristics of the financial asset or liability.

IFRS 10 *Consolidated Financial Statements* – Requires consolidation for all investees controlled by an entity, and it provides requirements for determining when control exists.

IFRS 11 *Joint Arrangements* – Separately defines the treatment of joint operations (previously jointly controlled assets and jointly controlled operations) and joint ventures.

IFRS 12 *Disclosure of Interests in Other Entities* – Establishes disclosure objectives and minimum requirements for interests in subsidiaries, joint arrangements, associates and unconsolidated entities.

IFRS 13 *Fair Value Measurement* – Accumulates guidance on fair value measurement previously dispersed throughout existing standards. No new requirements are set out in the standard, but additional guidance on measurement and disclosure is included.

IAS 19 *Employee Benefits* – Amends the previously published standard and discontinues the ability to defer recognition of actuarial gains and losses and requires immediate recognition in other comprehensive income.

3. Summary of significant accounting policies (continued)

IAS 27 *Separate Financial Statements* – Addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements.

IAS 28 *Investments in Associates and Joint Ventures* – Amends the previously published standard to include joint ventures in its scope and to address changes adopted in IFRS 10, IFRS 11 and IFRS 12.

These new standards and amendments all become effective for the Corporation beginning on or after January 1, 2013. The Corporation has reviewed these new and updated standards and will monitor any additional changes made prior to their adoption. At this time the Corporation does not anticipate any material impact from the adoption of these standards.

4. Capital management

The Corporation's objective when managing its capital is to maintain financial stability through the effective management of liquidity and capital structure. Ensuring financial stability is critical to providing safe, reliable service to Saskatchewan residents, businesses and industries.

The Corporation finances its capital requirements through internally generated funds and injections of capital from the Province of Saskatchewan's General Revenue Fund, typically in the form of debt. Under *The SaskEnergy Act*, the Corporation may borrow up to $1,700 million of debt upon approval of the Lieutenant Governor in Council (2011 – $1,700 million). At the end of the year, the Corporation had $1,087 million of debt outstanding (2011 – $1,029 million) and authority to borrow an additional $125 million of temporary loans (2011 – $87 million), including a $35 million uncommitted line of credit with Toronto-Dominion Bank (2011 – $35 million).

The Corporation borrows all its capital, with the exception of occasional overnight loans from the Toronto-Dominion Bank, from the Province of Saskatchewan (the Province). The Corporation's borrowing requirements constitute a minor portion of the Province's total borrowings, and given the Province's strong credit rating, the Corporation was able to acquire all its funding requirements during the year.

The Corporation monitors capital on the basis of the debt ratio, with a target of 57.0%. The purpose of this strategy is to ensure the Corporation's debt is self supporting and does not adversely affect the Province's access to capital markets. The debt ratio was calculated as net debt divided by total capital at the end of the year as follows:

(millions)	2012	2011
Long-term debt	$ 812	$ 715
Short-term debt	275	314
Debt retirement funds	(76)	(73)
Cash	(2)	(21)
Total net debt	1,009	935
Equity advances	72	72
Retained earnings	624	544
Total capital	$ 1,705	$ 1,551
	59.2%	60.3%

The Corporation's objectives, policies and processes for managing its capital were consistent with the prior year. The Corporation complied with all externally imposed requirements for its capital throughout the year.

5. Trade and other receivables

(millions)	2012	2011
Unbilled revenue	$ 62	$ 51
Trade receivables	45	44
Other receivables	14	10
	121	105
Allowance for doubtful accounts	(2)	(2)
	$ 119	$ 103

6. Natural gas in storage held for resale

(millions)	2012	2011
Cost	$ 262	$ 259
Revaluation to net realizable value	(24)	(45)
	$ 238	$ 214

With the decline in natural gas market prices, the net realizable value of natural gas in storage at the end of the year was $24 million below cost (2011 – $45 million).

As at December 31, 2012, the Corporation expects that $112 million of the current inventory value will be sold or consumed within the next year and $126 million of the current inventory value will be sold or consumed after more than a year.

7. Inventory of supplies

The cost of inventory of supplies recognized as operating and maintenance expense during the year was $21 million (2011 – $26 million). There was no revaluation of inventory of supplies and no reversal of any prior year revaluation during the year.

8. Debt retirement funds

(millions)	2012	2011
Balance, beginning of year	$ 73	$ 59
Installments	7	7
Redemptions	(7)	–
Earnings	5	5
Change in fair value	(2)	2
Balance, end of year	$ 76	$ 73

The investments held in debt retirement funds are primarily Federal and Provincial Government debt instruments. The yield on these investments was 6.1% for the year (2011 – 8.0%).

As at December 31, 2012 amounts required to be invested in debt retirement funds in each of the next five years were as follows:

(millions)	2013	2014	2015	2016	2017
Installments	$ 8	$ 8	$ 7	$ 7	$ 6

9. Financial and derivative instruments and risk management

a. Financial instruments

(millions)	Classification	2012 Carrying Amount	2012 Fair Value	2011 Carrying Amount	2011 Fair Value
Financial assets					
Cash	FVTPL	$ 2	$ 2	$ 21	$ 21
Trade and other receivables	LAR	119	119	103	103
Debt retirement funds	FVTPL	76	76	73	73
Financial liabilities					
Short-term debt	OL	275	275	314	314
Trade and other payables	OL	105	105	101	101
Dividends payable	OL	11	11	9	9
Long-term debt	OL	812	993	715	899

Classification details:
FVTPL – fair value through profit or loss
LAR – loans and receivables
OL – other liabilities

The fair value of the above instruments is based on the following:

i. Debt retirement funds – The market value of the investments held in debt retirement funds as determined by Saskatchewan's Ministry of Finance using information provided by investment dealers. To the extent possible, valuations reflect indicative secondary pricing for these securities. In all other circumstances, valuations are determined with reference to similar actively traded instruments.

ii. Long-term debt – The present value of future cash flows discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

iii. Other financial instruments – The fair value of other financial instruments, including cash, trade and other receivables, bank indebtedness, short-term debt, trade and other payables and dividends payable approximate their carrying amounts due to the short-term nature of these instruments.

b. Natural gas derivative instruments

All natural gas derivative instruments are recorded in the consolidated statement of financial position at fair value. The fair value of natural gas derivative instruments, with the exception of natural gas price options, is calculated daily and is based on quoted market prices. The Corporation obtains information from sources such as the New York Mercantile Exchange and the Natural Gas Exchange, independent price publications and over-the-counter broker quotes. The fair value of natural gas price options is determined using an industry-standard valuation model which requires the use of various assumptions, including quoted market prices, interest rates and volatility estimates for forward natural gas prices that are based on external market sources.

Notional values are an approximation of future undiscounted net cash flows. For physical natural gas contracts, the notional value is based on contract price. For other derivative instruments, the notional value is the difference between the contract price and the market price. Where contract prices are referenced to an index price that has not yet been fixed, the market price is used to estimate the contract price.

9. Financial and derivative instruments and risk management (continued)

As at December 31, 2012 natural gas derivative instruments had the following fair values, notional values and maturities:

(millions)	2013	2014	2015	2016	2017	Total
Physical natural gas contracts						
Fair value	$ 1	$ 6	$ 3	$ –	$ 1	$ 11
Notional value	14	34	18	(1)	(11)	54
Natural gas price swaps						
Fair value	(10)	(6)	(1)	–	1	(16)
Notional value	(10)	(6)	(1)	–	1	(16)
Total						
Fair value	$ (9)	$ –	$ 2	$ –	$ 2	$ (5)
Notional value	$ 4	$ 28	$ 17	$ (1)	$ (10)	$ 38

Fair value – increase (decrease) in net income
Notional value – estimated undiscounted net cash inflow (outflow)

The fair value of derivative instruments is presented in the consolidated statement of financial position as follows:

(millions)	2012	2011
Fair value of derivative instrument assets	$ 53	$ 78
Fair value of derivative instrument liabilities	(58)	(98)
	$ (5)	$ (20)

c. **Fair value of financial and derivative instruments**

As at December 31, 2012 the Corporation's fair value hierarchy for certain financial and derivative instruments, which was consistent with the prior year's classification, was as follows:

(millions)	Level 1	Level 2	Level 3	Total
Debt retirement funds	$ –	$ 76	$ –	$ 76
Fair value of derivative instrument assets	–	53	–	53
Fair value of derivative instrument liabilities	–	(58)	–	(58)

d. **Risk management**

Through the normal course of business, the Corporation has exposure to market risk (natural gas price risk, interest rate risk and foreign currency risk), liquidity risk and credit risk. The Board of Directors, through the Audit and Finance Committee, has the overall responsibility for the establishment and oversight of the Corporation's risk management efforts. The Corporation seeks to manage the financial impact of natural gas price risk by using derivative instruments to manage its exposure. The Corporate Derivatives Policy and other risk management policies and strategies, approved by the Board of Directors and reviewed regularly by the Audit and Finance Committee, provide the framework within which the Corporation may use derivative instruments to manage its risks. The objectives, policies and processes for managing risk were consistent with the prior year.

9. Financial and derivative instruments and risk management (continued)

i. Natural gas price risk

The Corporation may manage the risk associated with the purchase and sale price of natural gas. The purchase or sale price of natural gas may be fixed within the contract or referenced to a floating index price. When the price is referenced to a floating index price, natural gas derivative instruments may be used to fix the settlement amount. The types of natural gas derivative instruments the Corporation may use for price risk management include natural gas price swaps, options, swaptions and forward contracts.

Based on the Corporation's year end closing positions, an increase of $1.00 per Gigajoule in natural gas prices would have increased net income, through an increase in the fair value of natural gas derivative instruments, by $36 million (2011 – $41 million). Conversely, a decrease of $1.00 per Gigajoule would have decreased net income, through a decrease in the fair value of natural gas derivative instruments, by $36 million (2011 – $41 million).

ii. Interest rate risk

The Corporation's significant interest-bearing financial instruments are short- and long-term debts which are fixed rate instruments. Consequently, the Corporation is subject to interest rate risk when issuing debt or refinancing maturities. At year end, the Corporation had $275 million of short-term debt that may be refinanced and $50 million of long-term debt that will mature within the next year and may be refinanced. Based on these amounts, a one per cent change in interest rates would increase or decrease the annual finance expense by approximately $3 million (2011 – $4 million).

The Corporation is also subject to interest rate risk related to debt retirement funds as the recorded fair value is driven by market prices which are largely determined by interest rates. Fluctuations in fair value of debt retirement funds can have an impact on the Corporation. In 2012, the fair value of debt retirement funds decreased $2 million during the period (2011 – $2 million increase).

iii. Foreign currency risk

The Corporation is exposed to foreign currency risk primarily through the purchase of goods and services; however, fluctuations in foreign currency do not have a significant impact on the Corporation.

iv. Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial obligations as they become due. The Corporation has credit facilities available to refinance maturities in excess of anticipated operating cash flows. The contractual maturities of the Corporation's financial obligations, including interest payments and the impact of netting agreements, as at December 31, 2012 were as follows:

		Contractual Maturities				
(millions)	Carrying Amount	Less Than 1 Year	1 - 2 Years	3 - 5 Years	More Than 5 Years	Total
Short-term debt	$ 275	$ 275	$ –	$ –	$ –	$ 275
Trade and other payables	105	105	–	–	–	105
Dividends payable	11	11	–	–	–	11
Derivative instruments	58	–	–	–	–	–
Long-term debt	812	91	88	311	900	1,390
	$ 1,261	$ 482	$ 88	$ 311	$ 900	$ 1,781

At year end, the Corporation's borrowing capacity, together with relatively stable operating cash flows, provide sufficient liquidity to fund these contractual obligations.

9. Financial and derivative instruments and risk management (continued)

v. Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial or derivative instrument fails to meet its contractual obligations. The Corporation is exposed to credit risk through cash, trade and other receivables, debt retirement funds and derivative instrument assets. Credit risk related to cash and debt retirement funds is minimized by dealing with institutions that have strong credit ratings and holding highly-rated financial securities.

The Corporation extends credit to its customers in the normal course of business and is at risk of loss in the event of non-performance by counterparties on certain of the financial and derivative instruments. To reduce its credit risk, the Corporation has established policies and procedures to monitor and limit the amount of credit extended to its customers and counterparties and may require letters of credit and other forms of security. At year end, the maximum credit exposure to a single counterparty was $19 million (2011 – $19 million).

The carrying amount of financial and derivative assets represents the maximum credit exposure as follows:

(millions)	2012	2011
Cash	$ 2	$ 21
Trade and other receivables	119	103
Debt retirement funds	76	73
Fair value of derivative instrument assets	53	78
	$ 250	$ 275

The following reflects an aging summary of the Corporation's trade and other receivables:

(millions)	2012	2011
Current	$ 113	$ 97
30 - 59 days	6	6
60 - 89 days	1	1
Greater than 90 days	1	1
	121	105
Allowance for doubtful accounts	(2)	(2)
	$ 119	$ 103

The change in the allowance for doubtful accounts in respect of trade and other receivables was as follows:

(millions)	2012	2011
Balance, beginning of year	$ 2	$ 1
Provision	–	1
Recoveries	1	2
Write-offs	(1)	(2)
Balance, end of year	$ 2	$ 2

10. Intangible assets

(millions)	Computer Software	Mineral Rights and Prepaid Royalties	Under Development	Total
Cost				
Balance, January 1, 2011	$ 50	$ 3	$ 9	$ 62
Additions	1	–	7	8
Additions through internal development	2	–	3	5
Disposals	(1)	–	–	(1)
Balance, December 31, 2011	52	3	19	74
Additions	–	–	6	6
Additions through internal development	1	–	4	5
Balance, December 31, 2012	53	3	29	85
Accumulated amortization				
Balance, January 1, 2011	41	–	–	41
Amortization	3	–	–	3
Balance, December 31, 2011	44	–	–	44
Amortization	3	1	–	4
Balance, December 31, 2012	47	1	–	48
Carrying amounts				
Balance, December 31, 2011	$ 8	$ 3	$ 19	$ 30
Balance, December 31, 2012	$ 6	$ 2	$ 29	$ 37

11. Property, plant and equipment

(millions)	Distribution	Transmission and Storage	Gathering Treatment and Compression	Vehicles Equipment and Other	Computer Hardware	Construction in Progress	Total
Cost							
Balance, January 1, 2011	$ 796	$ 819	$ 221	$ 121	$ 15	$ 60	$ 2,032
Additions	62	79	21	17	2	90	271
Disposals	(1)	(2)	(3)	(4)	(3)	–	(13)
Transfers	–	–	–	–	–	(111)	(111)
Balance, December 31, 2011	857	896	239	134	14	39	2,179
Additions	68	80	13	10	2	174	347
Disposals	(1)	(4)	–	(4)	(2)	–	(11)
Transfers	–	–	–	–	–	(172)	(172)
Balance, December 31, 2012	924	972	252	140	14	41	2,343
Accumulated depreciation							
Balance, January 1, 2011	285	286	97	55	8	–	731
Depreciation	24	23	7	8	3	–	65
Disposals	(2)	(1)	(2)	(4)	(3)	–	(12)
Balance, December 31, 2011	307	308	102	59	8	–	784
Depreciation	26	24	8	8	3	–	69
Disposals	(3)	(2)	–	(4)	(2)	–	(11)
Balance, December 31, 2012	330	330	110	63	9	–	842
Carrying amounts							
Balance, December 31, 2011	$ 550	$ 588	$ 137	$ 75	$ 6	$ 39	$ 1,395
Balance, December 31, 2012	$ 594	$ 642	$ 142	$ 77	$ 5	$ 41	$ 1,501

12. Short-term debt

The Corporation's short-term debt is unsecured. At year end, short-term debt of $275 million (2011 – $314 million) was due to the Province of Saskatchewan's General Revenue Fund with an interest rate of 1.1% (2011 – 1.1%).

13. Trade and other payables

(millions)	2012	2011
Trade payables	$ 66	$ 65
Interest payable	9	7
Other payables	30	29
	$ 105	$ 101

14. Long-term debt

	2012		2011	
	Principal Outstanding (millions)	Effective Interest Rate (per cent)	Principal Outstanding (millions)	Effective Interest Rate (per cent)
General Revenue Fund				
1 - 5 years	$ 309	4.3	$ 284	4.4
6 - 10 years	67	5.4	142	5.0
11 - 15 years	75	8.8	75	8.7
16 - 20 years	110	6.1	110	6.1
21 - 25 years	25	5.0	–	–
26 - 30 years	225	4.0	100	5.1
	811		711	
Unamortized debt premium/discount and issue costs	(4)		(1)	
Less: Current portion of long-term debt	(50)		(50)	
	757		660	
Other long-term debt				
31 plus years	5	13.5	5	13.5
	$ 762		$ 665	

The Corporation's long-term debt is unsecured. As at December 31, 2012 principal repayments due in each of the next five years were as follows:

(millions)	2013	2014	2015	2016	2017
Principal repayments	$ 50	$ 50	$ 50	$ 84	$ 76

15. Deferred revenue

(millions)	2012	2011
Current		
Unearned customer capital contributions	$ 41	$ 32
Non-current		
Unearned government grants	9	9
	$ 50	$ 41

15. Deferred revenue (continued)

a. **Unearned customer capital contributions**

(millions)	2012	2011
Balance, beginning of year	$ 32	$ 49
Additions	40	32
Refunds	(2)	(6)
Revenue	(29)	(43)
Balance, end of year	$ 41	$ 32

b. **Unearned government grants**

(millions)	2012	2011
Balance, beginning of year	$ 9	$ 9
Amortization	–	–
Balance, end of year	$ 9	$ 9

Unearned government grants represent amounts received to compensate the Corporation for the cost of certain items of property, plant and equipment. There are no unfulfilled conditions or other contingencies attached to these government grants.

16. Employee future benefits

(millions)	2012	2011
Retiring allowance plan	$ 12	$ 13

a. **Pension plans**

During the year, the Corporation contributed $5 million (2011 – $5 million) to pension plans on behalf of employees for current services.

b. **Retiring allowance plan**

(millions)	2012	2011
Balance, beginning of year	$ 13	$ 14
Benefits paid	(2)	(2)
Net expense	1	1
Balance, end of year	$ 12	$ 13

No funds have been set aside to settle these obligations; therefore, there are no retiring allowance plan assets. Benefits paid are funded by the Corporation's current operations.

16. Employee future benefits (continued)

The Corporation measures its accrued employee benefits liability with an annual actuarial valuation as at December 31. The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit liability were as follows:

	2012	2011
Discount rate	3.1%	3.6%
Long-term rate of compensation increases	3.0%	3.0%
Average remaining employee service life	6.4 years	6.9 years

For employees who are members of the Communications, Energy & Paperworkers Union (CEP), the length of service earned for the purpose of the retiring allowance plan is equal to their service up to and including December 31, 2004 less service time converted to other employee benefits. Remaining entitlements, if any, under the retiring allowance plan will be paid out to CEP members upon retirement in accordance with the terms of the plan.

For management employees, the length of service earned for the purpose of the retiring allowance plan is equal to their service up to and including December 31, 2005. Entitlements under the retiring allowance plan will be paid out to management employees upon retirement in accordance with the terms of the plan.

For Executive, the length of service earned for the purpose of the retiring allowance plan is equal to their service up to the date of retirement. Entitlements under the retiring allowance plan will be paid out to Executive upon retirement in accordance with the terms of the plan.

17. Provisions

(millions)	2012	2011
Balance, beginning of year	$ 17	$ 17
Increase in decommissioning liability	1	–
Balance, end of year	$ 18	$ 17

The Corporation has estimated the future cost of decommissioning certain natural gas facilities. For the purposes of estimating the fair value of these decommissioning obligations, it was assumed that these costs will be incurred between 2013 and 2109 for natural gas facilities. The undiscounted cash flows required to settle the obligations total $59 million (2011 – $56 million). Discount rates between 2.8% and 4.5% were used to calculate the carrying amount of the obligation (2011 – 2.8% and 4.5%). No funds have been set aside by the Corporation to settle these obligations.

18. Equity advances

The Corporation does not have share capital. However, the Corporation has received advances from CIC, which reflect an equity investment in the Corporation, to form its equity capitalization.

19. Commitments and contingencies

a. Letters of credit

The Corporation has posted a $15 million letter of credit with NGX Financial Inc. (NGX) as security for natural gas purchases and sales conducted by the Corporation on the NGX natural gas exchange in Alberta. NGX may draw upon the letter of credit if the Corporation fails to make timely payment for, or delivery of, natural gas as per the related contract.

b. Commitments

i. The Corporation has budgeted to spend $236 million on capital projects in 2013.

ii. At year end, the Corporation has $59 million of outstanding contractual commitments for the procurement of goods, services and capital assets in the future.

19. Commitments and contingencies (continued)

c. Leases

As at December 31, 2012 future minimum lease payments for operating leases entered into by the Corporation, as lessee, were as follows:

(millions)	2013	2014	2015	2016	2017	Thereafter
Minimum lease payments	$ 1	$ 1	$ –	$ –	$ –	$ –

d. Contingencies

Five statements of claim have been filed against the Corporation in relation to a home explosion and other incidents during 2011 in Regina, Saskatchewan, arising from two separate natural gas leaks on two separate occasions. The Corporation has filed statements of defence, cross claims and third party claims; however, these claims remain at an early stage and at this time the Corporation does not expect the outcomes to result in any material financial impact.

20. Unrealized market value adjustments

(millions)	2012	2011
Change in fair value of debt retirement funds	$ (2)	$ 2
Change in fair value of natural gas derivative instruments	15	(36)
Change in revaluation of natural gas in storage to net realizable value	21	(24)
	$ 34	$ (58)

Unrealized market value adjustments represent the net income impact of measuring certain financial and derivative instruments at fair value subsequent to initial recognition (Note 9) and measuring natural gas in storage at the lower of weighted average cost and net realizable value (Note 6). These adjustments represent the change in the carrying amount of the related balance sheet item during the year and are dependent on the market prices and expected delivery dates at year end.

21. Natural gas sales and purchases

	2012			2011		
(millions)	Commodity	Gas Marketing	Total	Commodity	Gas Marketing	Total
Natural gas sales						
Natural gas sales to commodity customers	$ 221	$ –	$ 221	$ 247	$ –	$ 247
Realized on natural gas derivative instruments	25	264	289	47	275	322
Change in fair value of natural gas derivative instruments	–	(32)	(32)	–	2	2
	246	232	478	294	277	571
Natural gas purchases						
Realized on natural gas derivative instruments	(248)	(217)	(465)	(284)	(234)	(518)
Change in fair value of natural gas derivative instruments	47	–	47	(43)	5	(38)
Change in revaluation of natural gas in storage to net realizable value	–	21	21	–	(24)	(24)
	(201)	(196)	(397)	(327)	(253)	(580)
	$ 45	$ 36	$ 81	$ (33)	$ 24	$ (9)

22. Other revenue

(millions)	2012	2011
Royalty revenue	$ 1	$ 2
Natural gas liquid sales	11	10
	$ 12	$ 12

23. Revenue collected for and paid to municipalities

The Corporation is required to remit to 109 urban municipalities, in accordance with the provisions of *The SaskEnergy Act*, an amount calculated as either three per cent or five per cent of natural gas sales to customers within the respective municipality. These municipal payments are charged to customers and are then remitted to the respective municipalities. During the year, the amount collected for and paid to municipalities, which was recognized on a net basis in operating and maintenance expense, was $16 million (2011 – $18 million).

In accordance with the provisions of *The SaskEnergy Act*, the Corporation is required to collect, from specific customers, an amount based on the value of natural gas transported on their behalf. The Corporation in turn pays the amount collected to those municipalities. During the year, the amount collected for and paid to municipalities, which was recognized on a net basis in operating and maintenance expense, was $2 million (2011 – $2 million).

24. Depreciation and amortization

(millions)	2012	2011
Depreciation of property, plant and equipment	$ 70	$ 65
Amortization of intangible assets	3	3
	$ 73	$ 68

The composite rate of depreciation was 3.1% during the year (2011 – 3.2%), and the composite rate of amortization was 5.9% during the year (2011 – 6.8%).

25. Saskatchewan taxes

(millions)	2012	2011
Corporate capital tax	$ 8	$ 8
Property taxes and other	2	2
	$ 10	$ 10

26. Net finance expenses

(millions)	2012	2011
Debt retirement funds earnings	$ 5	$ 5
Change in fair value of debt retirement funds	(2)	2
Finance income	3	7
Interest expense on short-term debt	(3)	(3)
Interest expense on long-term debt	(43)	(39)
Borrowing costs capitalized to qualifying assets	2	2
Finance expenses	(44)	(40)
Net finance expenses	$ (41)	$ (33)

Borrowing costs were capitalized to qualifying assets using the weighted average cost of debt of 4.1% during the year (2011 – 4.0%).

27. Net change in non-cash working capital related to operations

(millions)	2012	2011
Trade and other receivables	$ (16)	$ 10
Natural gas in storage held for resale	(3)	9
Inventory of supplies	(1)	(2)
Trade and other payables	2	–
Deferred revenue	6	(17)
	$ (12)	$ –

28. Related party transactions

Balances and transactions between SaskEnergy and its wholly owned subsidiaries, which are related parties of SaskEnergy, have been eliminated upon consolidation and are not disclosed in this note. Details of transactions between the Corporation and other related parties are disclosed below.

a. Transactions with key management personnel

Key management personnel include directors and executive officers. The compensation paid to key management for employee services was as follows:

(millions)	2012	2011
Short-term benefits	$ 3	$ 3
	$ 3	$ 3

b. Other related party transactions

As a Crown corporation, the Corporation is ultimately controlled by the Government of Saskatchewan. Included in the consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties).

Government-related entities are exempt from providing disclosure about individual related party transactions, other than the transactions with key management personnel disclosed above. Instead, government-related entities are required to disclose the types and extent of individually or collectively significant transactions with related parties. In determining individually significant transactions, the Corporation considers the size, type and terms of the transaction.

During the year the Corporation received $10 million (2011 – $12 million) from its parent company, CIC. The payments represent full reimbursement of the Corporation's costs associated with administering the Saskatchewan EnerGuide for Houses grant program. The reimbursements and associated costs have been recognized on a net basis in operating and maintenance expense.

There were no other individually or collectively significant transactions with related parties for the year. All other transactions with related parties were routine operating transactions that were settled at prevailing market prices under normal trade terms.

BOARD OF DIRECTORS

Robert (Rob) Pletch, Q.C.

MacPherson Leslie & Tyerman LLP
(Board Chair, SaskEnergy)
Regina, Saskatchewan

Mr. Pletch is Counsel at MacPherson Leslie & Tyerman LLP. He has acted for major clients regarding mergers, acquisitions, financings and development strategies. He holds both a Bachelor of Arts and Law Degree and has served the Saskatchewan business community in the areas of commercial and corporate law for more than 30 years. Mr. Pletch has served as Chair of the SaskEnergy Board of Directors since 2008, and is a member of the Audit and Finance Committee, the Business Development Committee, and the Human Resources/Compensation Committee.

Nadine Krenosky

Mawer Investment Management Ltd.
(Vice Chair, SaskEnergy)
Calgary, Alberta

Ms. Krenosky is Chief Compliance Officer with Mawer Investment Management Ltd. and she has more than 15 years of experience in the financial services industry. She has worked for two public accounting firms, a regulatory body, and was Chief Compliance Officer of a large asset management firm. Ms. Krenosky is a Chartered Accountant and Chartered Financial Analyst Charterholder, and has a Chartered Director designation. She is Vice-Chair, and has served on SaskEnergy's Board of Directors since 2004. She is also Chair of the Audit and Finance Committee and a member of the Human Resources/Compensation Committee.

James Baker

J. P. Baker Management Inc.
Regina, Saskatchewan

Mr. Baker is President of J. P. Baker Management Inc. and has extensive experience in the oil and gas industry. His experience includes operating a consulting business specializing in the business development of oil- and gas-related initiatives in Saskatchewan and Alberta. Mr. Baker has served on the SaskEnergy Board since 2008. He is Chair of the Business Development Committee and a member of the Safety and Corporate Social Responsibility Committee.

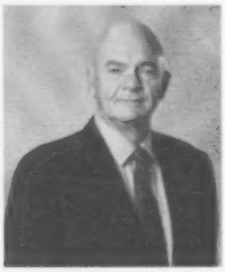
David Bishop

McKercher LLP
Regina, Saskatchewan

Mr. Bishop is a partner at McKercher LLP where he practices commercial and residential real estate law, business law, criminal defence, criminal prosecution (as an agent of the Attorney General for Canada), and elder law. Actively involved in the legal community, he holds a Bachelor of Arts Degree, a Bachelor of Law Degree and a Chartered Director designation from The Directors College program of McMaster University. Mr. Bishop has served on the Board of Directors since 2008. He is a member of the Audit and Finance Committee and the Human Resources/Compensation Committee.

Curt Chickoski
Martens Ranch Ltd./MCM Ranching Ltd.
Swift Current, Saskatchewan

Mr. Chickoski owns and manages two successful cattle and horse operations. He also serves on the Canadian Agri-Stability Appeals Committee, the Swift Current Creek Watershed Board, and as local supervisor for the Saskatchewan Cattle Feeders Association. Mr. Chickoski joined SaskEnergy's Board of Directors in 2010 and is a member of the Business Development Committee.



Grant Gayton
Regina, Saskatchewan

Mr. Gayton has been a successful CEO and investor in information technology, publishing, and printing. He co-founded and developed Management Systems Limited, which became Saskatchewan's largest independent systems company and is now part of ISM Canada Ltd, a wholly owned subsidiary of IBM. As CEO of DirectWest Publishers and, later, of PrintWest Communications, he increased profitability and positioned both companies for future success. Past Chair of the Information Services Corporation Board of Directors and a past member of the Saskatchewan Roughriders Board, Mr. Gayton holds a Chartered Director designation from The Directors College program of McMaster University. He was appointed to the SaskEnergy Board of Directors in 2010 and is a member of the Business Development Committee and the Safety and Corporate Social Responsibility Committee.

Sharon Hodgson
Rural Municipality of Big River
Big River, Saskatchewan

Ms. Hodgson serves as Councillor for the Rural Municipality of Big River. Prior to that, she owned a forestry industry/road building business for 30 years, followed by a successful elk farm business, which was developed into one of the first registered trophy ranches in Saskatchewan. Ms. Hodgson has been a member of SaskEnergy's Board of Directors since 2010. She serves on the Governance Committee and the Safety and Corporate Social Responsibility Committee.

Allan Kerpan
Private Farming Operation
Kenaston, Saskatchewan

Mr. Kerpan is currently involved in the operation of the family farm with his son at Kenaston. He was twice elected to national office: in 1993, as the Member of Parliament (MP) for Moose Jaw-Lake Centre, and in 1997, as the MP for Blackstrap. He was one of the founders of the Saskatchewan Party and later became a Saskatchewan Party MLA (2003-07), serving as the critic for Crown Investments Corporation, Corrections, SaskTel, and SaskPower, respectively. Mr. Kerpan joined the Board of Directors in 2012 and is a member of the Business Development Committee and the Governance Committee.

Neal Krawchuk
Mega Group Inc.
Saskatoon, Saskatchewan

Mr. Krawchuk is Vice President of Credit and Administration of Mega Group Inc., a privately held management and marketing company servicing the home furnishing industry throughout Canada and the United States. In addition, Mr. Krawchuk is a past member of the Investment Saskatchewan Board of Directors, and has extensive experience in commercial finance, sales and customer service. He was appointed to SaskEnergy's Board of Directors in 2009, and is Chair of the Safety and Corporate Responsibility Committee and a member of the Audit and Finance Committee.

Alfred Labas
Private Farming Operation
Yorkton, Saskatchewan

Mr. Labas owns and operates a long-standing family grain farm in Lestock, Saskatchewan. His professional experience includes service with Federated Co-operatives Limited, the Department of Indian and Northern Affairs, and a private accounting practice specializing in farm accounting and taxation. He also held leadership positions in various departments of the Provincial Government, and is active in the community. He was appointed to SaskEnergy's Board of Directors in 2010 and is a member of the Audit and Finance Committee.

James Rybchuk, Q.C.
McDougall Gauley LLP
Regina, Saskatchewan

Mr. Rybchuk has worked for McDougall Gauley LLP since 1994 and holds a Bachelor of Law degree. His legal focus includes business law and litigation. Mr. Rybchuk also acts for and advises provincial, national and international businesses and governments on their governance, organizational and related business affairs and dealings, including the day-to-day management and operations of their interests. Mr. Rybchuk has served on the Board of Directors since 2008. He is Chair of the Governance Committee and a member of the Human Resources/Compensation Committee.

Victor Thomas
Aspen Medical Canada
Regina, Saskatchewan

Mr. Thomas is a principal and Executive Director of Aspen Medical Canada, a subsidiary of Aspen Medical, which is an international firm with expertise in delivering healthcare solutions in complex and often remote environments. He has worked with companies around the world in the areas of governance, strategy and business development. In addition to a Master's Degree in Business Administration from the University of Regina and a Chartered Director designation from The Directors College program of McMaster University, he has completed certificate programs from York University, Université St. Anne and the University of Ulsan (South Korea). Mr. Thomas has served on the Board of Directors since 2008. He is Chair of the Human Resources/Compensation Committee and a member of the Governance Committee.

Terry Ross
Crown Investments Corporation of Saskatchewan
(Board Secretary)
Regina, Saskatchewan

Mr. Ross has been an employee of CIC since 2005, with prior experience at Natural Resources Canada and Saskatchewan Environment, and is a former member of the Canadian Armed Forces. He has a Bachelor of Arts degree from the University of Saskatchewan, a Diploma in Resource Management from the Saskatchewan Institute of Applied Science and Technology and has attained a Chartered Directors designation from McMaster University, DeGroote School of Business. Mr. Ross has been the Board Secretary since June 2011.

EXECUTIVE COMMITTEE

Back row: Debbie McKague, Dennis Terry, Mark Guillet, Colleen Huber; Front row: Dean Reeve, Robert Haynes, Doug Kelln, Phil Sandham

Doug Kelln
President and Chief Executive Officer

Mr. Kelln brought a wide range of company knowledge when he was appointed President and CEO of SaskEnergy in 2004. Since starting with SaskPower's natural gas division in 1982, he has had increasing levels of responsibility in the areas of engineering, construction, planning, customer services, distribution operations, marketing and business development within SaskEnergy and TransGas. Mr. Kelln has a Bachelor of Civil Engineering degree.

Mark Guillet
Vice President, General Counsel and Corporate Secretary

Mr. Guillet is the Vice President, General Counsel and Corporate Secretary for the Corporation and is responsible for the Legal and Land Departments. He is also the Chief Privacy Officer. Mr. Guillet is a graduate of the University of Saskatchewan, a member of the Law Society of Saskatchewan, and has experience in corporate, commercial, governance and privacy legal issues.

Robert Haynes
Vice President, Human Resources and Corporate Affairs

Mr. Haynes joined SaskEnergy in 1988 when he was appointed to the position of General Counsel and Corporate Secretary. In 1995, he became Vice President of Human Resources, adding Corporate Affairs responsibilities in 2011. In this role, Mr. Haynes is responsible for all aspects of the Corporation's human resources policies and practices, including the Corporation's Safety, Health and Environment area, as well as strategic corporate communication with key stakeholders, including employees, the media and government. Mr. Haynes has a Bachelor of Administration Degree, Public Policy and a Juris Doctor.

Colleen Huber
Vice President, Corporate Support

Ms. Huber is responsible for corporate technology, corporate procurement and inventory, buildings and security, and vehicles and equipment. She joined the Executive in 2000 after successfully progressing through various management positions within TransGas and SaskEnergy. She is a graduate of the University of Regina.

Debbie McKague
Vice President, TransGas and Bayhurst Gas Business Services

Ms. McKague is responsible for TransGas Customer Services, Pipeline Control and Planning, and TransGas Policies, Rates and Regulations. In 2010, she also assumed Executive responsibility for Bayhurst Gas Limited, a role that was previously shared across several members of the Executive team. Over the years, Ms. McKague has gained experience in various areas including Accounting, Billing Services, Rates, Gas Supply and, most recently, TransGas Customer Services.

Dean Reeve
Executive Vice President, SaskEnergy

Mr. Reeve has worked in a number of financial, business development and customer service functions within SaskEnergy and TransGas and is currently the Executive Vice President responsible for SaskEnergy's Distribution Utility, Gas Supply and Business Development areas. In this role, he leads the customer service functions, business and marketing initiatives of SaskEnergy. Mr. Reeve has a Bachelor of Administration degree and a Chartered Accountant designation.

Phil Sandham
Vice President, Engineering, Construction and TransGas Operations

Mr. Sandham brings leadership and experience from his previous senior positions in Transmission Operations, Engineering and Technology, and Customer Services, to his current role as Vice President of Engineering, Construction and TransGas Operations. He is responsible for the engineering and construction services for SaskEnergy and TransGas, as well as ensuring the safe and reliable operation of the transmission system and overseeing the environmental initiatives for the Corporation. Mr. Sandham has a Bachelor of Science in Civil Engineering.

Dennis Terry
Vice President, Finance and Chief Financial Officer

Mr. Terry joined SaskEnergy in 2009. Prior to joining SaskEnergy, he was Chief Financial Officer for Yara Belle Plaine Inc. and gained experience in gas price management strategy development and oversight related to significant natural gas commodity purchases and hedging activities. Mr. Terry's areas of responsibility include strategic planning, financial planning and reporting, billing services, budget leadership and treasury. Mr. Terry has a Bachelor of Administration degree and a Chartered Accountant designation.

CORPORATE GOVERNANCE DISCLOSURE

SaskEnergy's commitment to advanced governance practices demonstrates accountability to the Owner and its customers. Effective governance helps ensure that SaskEnergy operates as both a financially viable organization and a responsible Corporation.

SaskEnergy governance practices ensure that the Corporation's customers and employees are provided with fair and equitable treatment and that the correct levels of authority and accountability are established so that all employees can accomplish their work without unnecessary limitations or risks. Details on SaskEnergy's 2012 corporate governance results are available on the SaskEnergy website:

saskenergy.com/about_saskenergy/annual_report/documents/2012/Corporate_Governance.pdf.

GLOSSARY OF KEY SUCCESS MEASURES

Our Future

Financial Health

Debt/Equity Ratio	This measure is the typical financial ratio that is calculated by dividing total debt (short- and long-term) by the sum of total debt plus total owner's equity.
Rate of Return on Equity	The Rate of Return on Equity for Regulated Utility Operations reflects the target that the Utility plans to achieve over a 12-month test period, using the equity amount of 37 per cent of the regulated rate base. The Consolidated Rate of Return on Equity is measured by dividing the income before unrealized market value adjustments by the average owner's equity over the year. The average is determined as the simple average of the opening owner's equity and the closing owner's equity.
Income Before Unrealized Market Value Adjustments	This measure removes unrealized market value adjustments from consolidated net income. Market value adjustments include fair value adjustments on financial and derivative instruments and the revaluation in natural gas in storage to net realizable value.

Community Investment

Projects Supported	This measure tracks the number of projects, events and programs that have been undertaken by the Corporation.
Communities Impacted	The relative success of SaskEnergy's community investment activities is also measured by the number of urban and rural communities impacted each year. As Saskatchewan's natural gas provider, serving more than 90 per cent of the population, SaskEnergy strongly believes its sponsorships and community investments should be directly targeted to the places where its stakeholders live.
Aboriginal Contracts – Percentage of Labour Content	This measure tracks the percentage of Aboriginal labour content in the organization's labour service contracts and supplier alliance agreements, managed by the Purchasing Department.

Environmental

Customer Efficiency Programs	This is the number of customers directly and indirectly benefiting from customer energy efficiency programs.
Internal Energy Efficiencies	This measure tracks the effects of the Corporation's energy efficiency improvements which reduce fuel usage. It includes reductions in compressor fuel, line heater fuel, building heating, lighting, air conditioning, vehicle fuel usage, and reduction in electricity used in compressors, rectifiers, and other compressor station functions. Energy consumption reductions will be tracked in terajoules (1,000 GJ) at an assumed price of $4 per GJ.
Percentage of "Go Green" Regulatory Target Achieved	This initiative consists of GHG emission reductions governed by the targets that have been proposed by the Provincial government, as part of the "Go Green" Action Plan. The focus will be on fuel gas and energy efficiency improvements as well as the capture of vented gas and reduction of vented emissions throughout the Corporation's business activities. SaskEnergy and TransGas will strive to reduce their carbon dioxide emissions from fuel combustion and reduce methane emissions from pipeline and compressor station venting to achieve the reduction target. This measure tracks the percentage of the "Go Green" reduction target achieved by the Corporation.

Business Development	Beginning in 2012, the Rate of Return on Investment measure is calculated as the earnings before interest, taxes, depreciation and amortization (EBITDA) over the capital investment, after the project has a minimum of 12 months of operation. The Direct Capital Investment measure tracks the capital investment undertaken by SaskEnergy and its subsidiaries for Business Development, which includes the total business development activity undertaken by all subsidiaries of SaskEnergy, including TransGas non-core activity, BGSI (the joint venture), the Kisbey Gas Processing Plant and activity related to alternative energy solutions. The Third Party Capital Leveraged measure tracks the capital invested by third parties in business development initiatives undertaken by SaskEnergy or its subsidiaries. For greater clarity, it does not include capital contributions from customers for customer-specific assets related to utility services.
Core Growth – Capital Investment in New Infrastructure	This measure includes the combined TransGas and SaskEnergy investment in core capital projects, including the capital investment required to build new facilities to bring gas from Alberta to meet Saskatchewan demand. Capital for storage expansion (Energy to Store projects) is included in this measure, but capital for asset renewal is excluded. This measure is calculated net of customer contributions.
Business Growth Investment	
Core Growth – SaskEnergy and TransGas Revenue Growth as a Per Cent	This measures the level of growth in the Corporation's revenues from its core business operations. The SaskEnergy portion of this measure is calculated based on the number of new customers times the average delivery revenue per customer. The TransGas portion of this measure is the incremental revenue growth in the core business. The total incremental revenue is reported as a percentage of the core revenue in the previous year.
Diversified Non-Core Business	
Net Revenue	This measure is calculated as the net revenue from Bayhurst Gas Limited (including BGSI and BESCO) as well as Coleville. In aggregate, this metric represents the value being generated by the non-regulated business activities that leverage corporate expertise and private sector alliances.
Total Capital Investment (Percentage of Third Party Capital Investment)	This measure tracks the capital invested in non-core business activities by SaskEnergy and its subsidiaries as well as third parties. The percentage that is third party capital is identified within parentheses.
Rate of Return on Equity	This measure is calculated as the return earned by the Corporation on the equity that has been invested in non-core business activities.

Our Service

Efficient Operations

Distribution	The Operation, Maintenance and Administration (OMA) Costs per Customer measure is a proxy for the relative efficiency of the Distribution Utility's operations and is calculated using OMA expenses (excludes transportation and storage expenses) divided by the total number of distribution customers (approximately 365,700 customers at December 31, 2012). This measure is comparable to other Canadian gas utilities. The Competitive Residential Delivery Rates measure reports the ranking of SaskEnergy's natural gas distribution delivery service rates, relative to the rates charged by other major Canadian utilities. The cost comparison is based on a benchmark level of consumption upon which the published rates of other service providers are applied to determine SaskEnergy's relative ranking. The calculations also factor in all temporary and one-time refunds, rebates, rate riders, or surcharges approved by the utility's regulator. Federal, provincial and municipal taxes are excluded from the comparison as are any Government rebates that are not directly approved by the SRRP.
TransGas	The Rate of OMA Costs measure is a proxy for the relative efficiency of the Transmission Utility's operations and is calculated using OMA expenses (excludes third-party transportation charges) divided by the total value of the assets managed as part of the TransGas transmission system. As a benchmark measurement on competitive natural gas transportation rates, the TransGas Export Rate is compared to that offered by TransCanada Pipeline's Nova Gas Limited subsidiary (NOVA), a company that provides services in Alberta similar to those provided by TransGas in Saskatchewan. The measure compares the cost of moving natural gas from any receipt point in Saskatchewan to the export market with the cost of moving natural gas from the average receipt point in Alberta to the export market.

Customer Satisfaction

Customer Satisfaction Index – SaskEnergy	The SaskEnergy customer satisfaction measure expresses, in percentage terms, the proportion of customers surveyed who rated their overall satisfaction with SaskEnergy's service as a 5, 6, or 7 on a 7-point scale. Positive responses such as these indicate that customers view SaskEnergy service positively and provide a strong indication that the customer service tools, policies and staff are effectively meeting the needs of customers. The data for this measure is obtained from customer surveys conducted by independent market research firms, typically once per year in May/June.
Customer Satisfaction Index – TransGas	This number is derived from an annual online survey that is provided to all TransGas customers. The internet method is used because all customers utilize electronic business tools to conduct business with TransGas. Customer satisfaction is measured on a scale of 0 to 5, with 5 being the highest level of satisfaction. The survey contains 15 questions which, in turn, are subdivided to gain detailed feedback on various aspects of the service being evaluated. Questions regarding staff utilize five factors to gauge customer satisfaction. These are: Empowerment, Accessibility, Responsiveness, Knowledge, and Friendliness. An average is taken on the responses to all questions and reported as a percentage.

Safe and Reliable	
SaskEnergy Safe and Reliable Index	This measure for safe and reliable service for SaskEnergy is based upon a number of leading and lagging indicators that are averaged to produce a composite result. The calculation methodology provides a 60 per cent weighting for lag indicators and a 40 per cent weighting for lead indicators. The lag indicators focus on system outages and provide reliability ratings based on the causes for the outage (system failure, SaskEnergy operator error, or caused by third-party) as well as the impacts of the outage in terms of number of customers impacted, duration of the outage, the costs to restore service, and the response time. The lead indicators provide ratings based upon the percentage of planned maintenance completed and the percentage of training and job observations completed.
TransGas Safe and Reliable Index	This measure is based upon a number of leading indicators ("preparedness") and lagging indicators ("response"), which are averaged to produce a corporate result. The lead indicators are based upon the percentage completion of emergency equipment checks and maintenance, the percentage completion of emergency exercises, the number of presentations completed for First Responders and contractors, and the number of landowner contacts. The lag indicators focus on line hits, the number of spills, and the number of emergencies where the response was not in accordance with corporate procedure.
Safety and Integrity	This new measure for 2012 reflects, as a percentage, the current year of integrity capital spending against the Corporation's assets as of 15 years ago. In general, older assets require greater attention from an integrity perspective, and thus it is appropriate to measure integrity spending against these older assets. SaskEnergy is currently in a significant growth period, which would have skewed the measure if current year assets had been used.
SaskEnergy Leaks per 1,000 km of Pipe	The term "leak" is defined as any unplanned release of product from the distribution system. This measure is in the process of being developed and standardized by the Canadian Gas Association (CGA) for inter-jurisdictional comparison purposes, and the SaskEnergy data on leaks per 1,000 km of pipe will be filtered to align with CGA reporting methodology.
TransGas Pipeline Failures per 1,000 km of Pipe	The term "failure" is defined as any unplanned release of product from the pipe body. This measure aligns with the Canadian Energy Pipeline Association's (CEPA) definition and statistics, which the Corporation will use as a benchmark. The definition does not include small leaks on fittings and valve bodies. For reference, the CEPA five-year average is 0.153, which means TransGas is targeting to achieve a better result than the industry average in 2013.

Our People

Employee Engagement

Employee Survey	SaskEnergy measures employee engagement annually using the Hay Survey. A major survey is completed every two years, typically in the fourth quarter, and a micro survey is done in the alternate year. The Hay Group benchmarks survey results to their "public sector norm", as defined by the survey results of approximately 50 Canadian public sector organizations including Crown Corporations. The major survey incorporates employees' opinions on a number of areas including satisfaction with pay and benefits, job opportunities, work/life balance, and training and developmental opportunities within SaskEnergy/TransGas.

Physical Safety

Reportable Injury Rate	This measure is a composite of two separate metrics: • Lost Time Frequency Rate – measures the frequency in which lost time injuries have occurred. A standard duration is used to normalize the results so that company comparisons can be made despite differing workforce sizes. A lost time injury is an injury that resulted in lost work time following the day of the injury. • Medical Aid Frequency Rate – records the frequency of injuries that require medical attention. Results are normalized so that company comparisons can be made despite differing workforce sizes. A medical aid injury is an injury that requires medical attention, but no working time is lost beyond the day of the injury.
Preventable Vehicle Collision Frequency Rate	The preventable collision frequency rate expresses the frequency of preventable collisions and normalizes the result to enable equitable comparisons with other companies of different size and scale of operations. The formula to calculate the measure is as follows: Preventable Collision Frequency Rate = number of preventable collisions x 1,000,000[1] ÷ total kilometers driven. [1] The 1,000,000 is the given standard used by the Canadian Gas Association and Canadian Energy Pipeline Association to facilitate company comparisons.

Workplace Diversity

Workplace Diversity	The workplace diversity measures provide quantitative data for the employment of Aboriginal individuals, recognized by the Saskatchewan Human Rights Commission as being either underemployed or minimally employed within the Province. SaskEnergy also tracks the percentage of "Youth" in the workforce, which is defined as employees who are 30 years of age or less. The measures are calculated by comparing the number of employees from these groups relative to the number of total employees that comprise the workforce.

GLOSSARY OF NATURAL GAS MEASUREMENTS

Joule (J) – a base metric measure of energy. One J is the equivalent of the energy required to raise the temperature of one gram of water by approximately one quarter of one degree Celsius.

Gigajoule (GJ) – a measure used to express the energy value of natural gas or of energy consumed. One GJ is equivalent to one billion J. A typical home in Saskatchewan uses about 105 GJ of natural gas per year.

Terajoule (TJ) – a unit of energy equivalent to 1,000 GJ.

Petajoule (PJ) – a unit of energy equivalent to 1,000,000 GJ.

Cubic metre (m^3) – a unit of volume measurement commonly used to express the amount of natural gas sold to consumers. The typical home in Saskatchewan uses about 2,800 m3 of natural gas per year.

Natural Gas Volume Equivalents at Normal Atmospheric Pressure

- One GJ of natural gas would approximately fill an 11-foot by 11-foot by 8-foot room (approximately 1,000 cubic feet).
- One TJ of natural gas would fill a typical professional hockey arena (approximately 1,000,000 cubic feet).
- One PJ is enough natural gas to fill 17 sports stadiums the size of the Rogers Centre in Toronto (approximately 1,000,000,000 cubic feet).

SASKENERGY INCORPORATED NATURAL GAS TRANSMISSION PIPELINES

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Regina, Saskatchewan S4P 4K5
saskenergy.com